

**PROCEEDINGS AT HEARING  
OF  
APRIL 8, 2021**

**COMMISSIONER AUSTIN F. CULLEN**

**INDEX OF PROCEEDINGS**

<b>Witness</b>	<b>Description</b>	<b>Page</b>
	Proceedings commenced at 9:30 a.m.	1
	Discussion re procedural matters	1
<b>Barry Baxter (for the commission)</b>	Examination by Mr. Isaac	2
	Proceedings adjourned at 10:46 a.m.	54
	Proceedings reconvened at 10:56 a.m.	54
<b>Barry Baxter (for the commission)</b>	Examination by Mr. Isaac (continuing)	55
	Proceedings adjourned at 12:08 p.m.	103
	Proceedings reconvened at 12:18 p.m.	103
<b>Barry Baxter (for the commission)</b>	Examination by Mr. Friesen	103
	Examination by Mr. Smart	118
	Examination by Mr. Skwarok	137
	Examination by Ms. Bevan	142
	Examination by Mr. McFee	153
	Examination by Ms. Tweedie	165
	Examination by Mr. Rauch-Davis	168
	Examination by Mr. Butcher	177
	Discussion re exhibits	185
	Examination by Ms. Friesen (continuing)	186
	Proceedings adjourned at 2:09 p.m. to April 9, 2021	188

**INDEX OF EXHIBITS FOR IDENTIFICATION**

<b>Letter</b>	<b>Description</b>	<b>Page</b>
---------------	--------------------	-------------

No exhibits for identification marked.

## INDEX OF EXHIBITS

No.	Description	Page
822	Public Safety Canada Report 2010-2011 Evaluation of the Integrated Proceeds of Crime Initiative – Final Report - March 30, 2011	17
823	Media Excerpts Money Laundering in Casinos - various, 2011	59
824	Presentation - Reducing Reliance on Cash in BC Casinos & More - April 18, 2013	185

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**April 8, 2021**

**(Via Videoconference)**

**(PROCEEDINGS COMMENCED AT 9:30 A.M.)**

THE REGISTRAR: Good morning. The hearing is now resumed. Mr. Commissioner.

THE COMMISSIONER: Thank you, Madam Registrar. Yes, Mr. Isaac.

MR. ISAAC: Thank you, Mr. Commissioner. The next witness is Barry Baxter. Before we begin with his evidence we have roughly an hour and 45 minutes of time allocated to participants. I hope to be roughly around two hours myself today, in which case time may not be an issue, but before we begin I did want to inquire at the outset the commission's availability to perhaps sit a little bit longer, perhaps until 2 o'clock today if that becomes necessary.

THE COMMISSIONER: Yes, that's no problem at all, Mr. Isaac.

MR. ISAAC: Thank you. Madam Registrar, if you would please administer Mr. Baxter's oath. He will be affirming.

**BARRY BAXTER, a witness  
for the commission,  
affirmed.**

1 THE REGISTRAR: Please state your full name and spell  
2 your first name and last name for the record.

3 THE WITNESS: It's Barry Ronald Baxter. Surname  
4 spelled B-a-x-t-e-r.

5 THE REGISTRAR: Thank you.

6 **EXAMINATION BY MR. ISAAC:**

7 Q Mr. Baxter, can you see and hear me okay?

8 A Sure can.

9 Q I'm going to begin with some questions about  
10 your background and experience. You are a  
11 former RCMP inspector with over 34 years of  
12 service with the force; is that right?

13 A Correct.

14 Q Approximately 22 of those years were spent in  
15 federal policing focused on economic crime,  
16 money laundering and proceeds investigations; is  
17 that right?

18 A That's correct.

19 Q And you joined the RCMP in 1973, continued until  
20 1981, worked in the private sector between 1981  
21 and 1988 and then rejoined the RCMP until your  
22 retirement in 2015; is that right?

23 A That's correct.

24 Q And from 1992 until 2004 you served with the  
25 Vancouver commercial crime section, holding

1 ranks from Constable through to Staff Sergeant?

2 A I did.

3 Q From 2004 to 2008 you were an inspector with the  
4 commercial crime branch headquarters in Ottawa?

5 A Yes, I was. I was the officer in charge of  
6 counterfeit and identity defraud for the RCMP.

7 Q From 2008 to 2010 you were assigned to the 2010  
8 Vancouver Olympic integrated security unit  
9 responsible for planning mobilization and duty  
10 assignment for that security workforce?

11 A I was. My job description was the mobilization  
12 coordinator.

13 Q And from July 2010 to 2013 you were the Officer  
14 in Charge or OIC of "E" Divisions integrated  
15 proceeds of crime section, otherwise known as  
16 IPOC; is that right?

17 A I was.

18 Q And you led IPOC from July 2010 until that  
19 unit's disbandment in 2013 after which you  
20 served with "E" Division's federal serious  
21 organized crime, or FSOC, unit until your  
22 retirement from the force in February 2015; is  
23 that right?

24 A Yes, within FSOC I was the officer in charge of  
25 what was called the operation support group, or

1 OSG.

2 Q And over the course of your career you have  
3 received a number of awards and commendations.  
4 In 1992 you were awarded the St. John Ambulance  
5 Priory award of merit for lifesaving. And in  
6 2003 you were awarded a commanding officer's  
7 commendation as well as the BC police honour's  
8 Meritorious Service Medal. Those for your role  
9 in leading an investigation that led to the  
10 arrest, trial and conviction of members of a  
11 major organized crime network; is that right?

12 A That's correct.

13 Q In 2010 and 2011 you were awarded a commanding  
14 officer's commendation as well as a BC police  
15 honour's meritorious service medal in connection  
16 with your role leading the mobilization of the  
17 integrated security unit for the Vancouver 2010  
18 Olympic and Paralympic Games?

19 A Yes, that was my second medal for the  
20 meritorious service.

21 Q October 2012 you received the Queen Elizabeth  
22 the 2nd Diamond Jubilee medal for your  
23 contributions to Canada?

24 A Correct.

25 Q So I'd like to turn to ask you some questions

1                   about your experience working within the IPOC  
2                   model and how that unit functioned. What was  
3                   your role as the officer in charge of IPOC?

4           A       I had overall command of the IPOC unit  
5                   maintaining monitoring of all investigations,  
6                   all of my communication both with our national  
7                   headquarters in Ottawa and within criminal  
8                   operations in British Columbia within the RCMP  
9                   referred to as "E" Division.

10          Q       And what was the mandate of IPOC?

11          A       In general terms was to detect, conduct  
12                   investigations, perform seizures or forfeitures  
13                   of ill-gotten gains generated by organized crime  
14                   individuals or organized crime groups. The  
15                   mandate was led by national or divisional  
16                   priorities.

17          Q       And how was IPOC structured when you joined the  
18                   force in 2010?

19          A       When I arrived in 2010 the personnel was 41 in  
20                   total. Made up of several teams with  
21                   disciplines and in particular a money laundering  
22                   team which we referred to as a C22 team. I had  
23                   administrative support. I had a liaison with  
24                   the civil forfeiture office of the province of  
25                   British Columbia. I had administrative and

1 financial support staff.

2 Q And what were the reporting lines for IPOC with  
3 respect to both the federal and provincial RCMP  
4 business lines?

5 A I reported directly to the director of IPOC  
6 branch national headquarters in Ottawa. I also  
7 reported directly to the federal policing  
8 officer for "E" Division, a chief  
9 superintendent.

10 Q How was IPOC funded and do you attach any  
11 particular significance to that?

12 A IPOC was a federal unit, meaning that the  
13 funding came from the federal government. In  
14 its early days when it was first established it  
15 had what was referred to as specialized or  
16 fenced funding. All of the money was to be  
17 spent on IPOC investigations and IPOC support.  
18 There were very stringent reporting guidelines  
19 and audit and evaluation of how those funds were  
20 spent over the years. When I arrived in 2010  
21 the funding formula had been maintained by "E"  
22 Division finance, and that was done to  
23 streamline some of the expenditures and the  
24 reporting and evaluations. But there was still  
25 those two lines of communication, Ottawa and

1                   headquarters for "E" Division.

2           Q       And did that fenced funding have any particular  
3                   significance in terms of the operations or  
4                   effectiveness of the unit in your experience?

5           A       No. It just -- with fenced funding there was  
6                   the decision-making at my level as to where  
7                   expenditures could occur, and you know, we're  
8                   all accountable. So it just -- initially like I  
9                   say, the IPOC commander had quite a bit of  
10                  discretion in terms of spending for  
11                  investigations, and when I arrived it had  
12                  migrated to a little bit more oversight on how  
13                  those funds were being both spent and reported.

14          Q       How did file intake and prioritization work  
15                   within IPOC?

16          A       Well, the IPOC program supported other  
17                  investigations in regards to proceeds of crime.  
18                  So say, for example, there was a drug  
19                  investigation that although the main focus of  
20                  Vancouver drug section was on the drug dealing  
21                  or the cultivation or the importation, at the  
22                  same time assets were being accumulated by the  
23                  groups or the individuals that they were  
24                  investigating. So they would ask for support  
25                  from proceeds of crime to conduct a parallel

1 investigation to follow the mandate of the IPOC  
2 program nationally.

3 Q Did IPOC conduct its own file tiering and  
4 triaging or were the files that IPOC was  
5 receiving ones that were needed to compete, to  
6 put it that way, with other potential  
7 investigations for resources?

8 A As I say, you know, we were a support unit, so  
9 generally when we got a request for assistance  
10 the project file that we were supporting had  
11 already been subject to a lot of evaluation. We  
12 did have a tiering system and again our mandate  
13 was to conduct organized crime level  
14 investigations at the highest level possible.  
15 And so I was required to maintain, you know,  
16 again the highest levels of investigations  
17 possible based on national and divisional  
18 priorities.

19 Q What sorts of proceeds and money laundering  
20 experience did your investigators within IPOC  
21 have, and how was that experience and expertise  
22 developed and retained within the unit?

23 A Generally all of the investigators in IPOC when  
24 I arrived were very well experienced, having  
25 come from drug section or from commercial crime

1                   where you need a level of expertise on the  
2                   movement of money nationally and  
3                   internationally. You need to be aware of areas  
4                   where you could seek assistance, whether it be  
5                   through mutual legal assistance treaty. You  
6                   needed to know financial systems and how to  
7                   restrain assets or have assets seized. So  
8                   generally well experienced people it's something  
9                   that takes many, many years to gather that  
10                  experience, and in fact several of the members  
11                  under my command were credited in what was  
12                  called expert witness program which allowed them  
13                  to give expert testimony during proceeds of  
14                  crime prosecutions and that program was  
15                  maintained by Ottawa, but we had to ensure that  
16                  those people were continuously being exposed to  
17                  ongoing investigations and developments both  
18                  legislatively and criminally.

19                Q    Was there in your opinion value in having a  
20                    concentration of that expertise both in terms of  
21                    operational effectiveness but also in terms of  
22                    maintaining and developing that expertise within  
23                    the unit and to the extent that new people were  
24                    brought into that unit?

25                A    Yeah, I think generally I would say that IPOC

1                   was a very specialized unit, and by design,  
2                   because either you had the expertise and the  
3                   knowledge and ability or you didn't, and like I  
4                   say, it took a long time to gain that experience  
5                   in order to conduct those investigations. And  
6                   at that level potentially there's a lot at stake  
7                   during prosecutions and so we had to ensure  
8                   that, you know, the best people were conducting  
9                   the investigation so that there could not be any  
10                  problems downstream prosecution-wise.

11                Q    As a specialized unit, did IPOC tend to attract  
12                   RCMP officers with particular skill sets or  
13                   inclinations?

14                A    Oh, sure. Highly motivated people wishing to  
15                   become specialized within the force, and again  
16                   they came from drug section or customs, border  
17                   integrity, commercial crime. Again, where they  
18                   had exposure to those types of investigations,  
19                   IPOC kind of took it to the next level, and so  
20                   again they were highly motivated people. We  
21                   needed specialists in surveillance and covert  
22                   operations and that's the kind of people we  
23                   tried to attract into the unit.

24                Q    Did IPOC have established relationships with  
25                   policing and other partners both domestically

1 and internationally?

2 A Yeah, the IPOC program, again administered  
3 through the policy centre in Ottawa, was  
4 established with close relationships with Canada  
5 Revenue Agency, Public Prosecution Service of  
6 Canada, Canada Border Services Agency, and again  
7 those were all established through memorandums  
8 of understanding as to what roles and  
9 responsibilities. And initially the IPOC  
10 program was integrated with a lot of those units  
11 where they had personnel embedded within IPOC  
12 offices throughout the country. Locally very  
13 close relationships with other police forces and  
14 as well as the other specialized units under the  
15 federal policing model, which was the drug  
16 section, the border integrity, commercial crime,  
17 integrated market enforcement teams.

18 Q If those domestic and international partners  
19 wanted to reach out to law enforcement with  
20 respect to a potential money laundering or  
21 proceeds case would they know to reach out  
22 directly to your unit? Was IPOC sort of a first  
23 point of contact for those sorts of outreach and  
24 referrals?

25 A Yes, IPOC was the primary unit for the

1 investigation of money laundering for the RCMP  
2 in Canada.

3 Q Was IPOC a frequent recipient of FINTRAC  
4 disclosures and then how were those received and  
5 handled by the unit?

6 A Yeah, within IPOC I had a temporary civilian  
7 employee whose sole job was to collate incoming  
8 data and intelligence. And from FINTRAC we  
9 received the voluntary information reports where  
10 they would outline intelligence that they had  
11 collated and received. We also received  
12 Suspicious Transaction Reports, large cash  
13 transaction reports and Section 86 Reports from  
14 the Gaming Policy Enforcement Branch. So that  
15 person's job was to collate all of that  
16 information and there was a fair amount of it  
17 coming in on a daily basis.

18 Q What was the value of those disclosures and  
19 intelligence from FINTRAC to IPOC?

20 A Oh, that's a good one. They only disclosed to  
21 us ones that they felt could potentially result  
22 in an investigation. So I'll just say that  
23 significant cumulative value or they would not  
24 be sending them to us. And I have to say that  
25 it was by design under the *Proceeds of Crime*

1                   *(Money Laundering) and Terrorist Financing Act*  
2                   FINTRAC was established and there were protocols  
3                   on the sharing of information with FINTRAC. So  
4                   initially it was they would refer to us and then  
5                   we would decide whether or not we would do an  
6                   investigation. Later on, I'll say late -- early  
7                   2012-ish we developed a protocol where if a  
8                   particular money laundering investigation became  
9                   project status I could under my signature  
10                  request FINTRAC to more closely monitor a  
11                  particular individual or individuals and give us  
12                  more realtime data, but there was a very strict  
13                  criteria for when that could happen.

14                  Q     And you referred to this being as more realtime  
15                  data. How timely was the receipt of the  
16                  intelligence? I don't mean that in terms of  
17                  being critical of delays, but in terms of its  
18                  operational usefulness, what can you tell the  
19                  Commissioner about that in terms of the value of  
20                  the FINTRAC disclosures that you had?

21                  A     It was stale-dated. I guess that's the best way  
22                  to put it. The required mandatory reporting  
23                  requirements, you know, one was 15 days and one  
24                  was 30 days, and so by the time we actually got  
25                  the intelligence, it was stale-dated.

1           Q     We'll address the investigation that occurred  
2                   into suspected money laundering involving  
3                   casinos shortly. But before we do that what can  
4                   you tell the Commissioner more broadly about the  
5                   range of money laundering and proceeds files  
6                   that IPOC undertook and that it prioritized  
7                   during the period that you were in charge?

8           A     A vast majority were in support of Vancouver  
9                   drug section. So drug investigations that  
10                  resulted in assets being accumulated. So I had  
11                  major project teams supporting the various  
12                  investigations that were ongoing. In terms of  
13                  the money laundering we worked closely with CBSA  
14                  at the ports of entry into Canada, whether it be  
15                  a land or at the airport or a marine, for what  
16                  are called level 4 seizures, so the  
17                  non-declaration of more than \$10,000 in cash  
18                  that could either be seized or subject to  
19                  penalty.

20          Q     Was IPOC also involved in cash? The  
21                  Commissioner has heard some evidence already  
22                  about cash drop operations involving in  
23                  particular US partners. Was that a part of the  
24                  range of files that IPOC was undertaking in this  
25                  time?

1           A     Yes.  We were working very closely with several  
2                    US agencies, in particular the DEA in what were  
3                    referred to as cash pickups.  And generally that  
4                    meant in a covert scenario money was being  
5                    picked up in Canada for transportation to the  
6                    United States and that was for payment of at  
7                    that time methamphetamine and cocaine, amongst  
8                    other drugs, back into Canada.  And so we had in  
9                    association with DEA covert operations underway  
10                   that were doing that.

11          Q     And you were describing that many, if not most,  
12                   of the files that IPOC was handling were  
13                   supportive files for primarily drug  
14                   investigations.  What about proactive  
15                   investigations into potential third party or  
16                   professional money launderers?  Was that  
17                   something that IPOC was undertaking, was it  
18                   something that it had intelligence or leads  
19                   about at that time?

20          A     When I arrived I did a complete review of all  
21                   the files that were being undertaken by IPOC at  
22                   the time.  Where were they, where were they  
23                   going and how were they going to get there was  
24                   basically how I approached it.  One of the  
25                   things that really caught my interest was the

1 volume of moneys being reported through STRs and  
2 LCTRs and the Section 86 Reports, just massive  
3 amounts of \$20 Canadian bank notes going through  
4 the casinos in British Columbia. So as soon as  
5 I saw that I asked the question, you know, what  
6 are we doing about this other than just simply  
7 collating a whole bunch of data and  
8 intelligence? And it was at that point that I  
9 had meetings with my operations officer and the  
10 team leader for the money laundering team, which  
11 we referred to as the C22 team.

12 Q And I think you are referring there to the  
13 genesis of the probe that was conducted into the  
14 casinos; is that right?

15 A Yes.

16 Q And I'll -- we'll be getting into that in a  
17 moment. Before we leave the questions about --  
18 general questions about IPOC, I do want to ask,  
19 Madam Registrar, if we could bring up document  
20 CAN-001110, please.

21 Do you see that document on your screen,  
22 Mr. Baxter?

23 A I do, yeah.

24 Q And it's entitled "Public Safety Canada  
25 2010-2011 Evaluation of the Integrated Proceeds

1                   of Crime Initiative." And it's the final  
2                   report. Have you seen this document before?

3           A       Yes, I have. Matter of fact I was interviewed  
4                   for that document.

5           MR. ISAAC: If we could mark this please as the next  
6                   exhibit.

7           THE COMMISSIONER: Yes. Very well. I think we're at  
8                   822.

9           THE REGISTRAR: 822, Mr. Commissioner.

10                   **EXHIBIT 822: Public Safety Canada Report:**  
11                   **2010-2011 Evaluation of the Integrated Proceeds**  
12                   **of Crime Initiative - Final Report - March 30,**  
13                   **2011**

14           MR. ISAAC:

15           Q       And this appears to be a Public Safety Canada  
16                   evaluation of the integrated proceeds of crime  
17                   initiative. Were these evaluations something to  
18                   your understanding that were a regular part of  
19                   the IPOC initiative?

20           A       Yeah, as I said earlier with the specialized  
21                   funding they were subject to audit and  
22                   evaluation. So I am aware that although this  
23                   one says 2010-2011 there were previous back to  
24                   2000, 2005. So it was done on an ongoing basis  
25                   as an evaluation of the IPOC initiative across

1 Canada.

2 Q Thank you. If we could go to page 15 please of  
3 this document. And there's a section here, and  
4 I'm sorry, let me just see whether or not I'm at  
5 the same page. It may be the document -- sorry,  
6 it will be page 24 of the PDF please, Madam  
7 Registrar.

8 THE REGISTRAR: This is page 24.

9 MR. ISAAC:

10 Q At the bottom there heading 4.1.1 there's a  
11 heading that says "Continued Need For Program."  
12 Do you see that?

13 A Yes.

14 Q And then if we go down to page 26 of this  
15 document you'll see at the very top of this  
16 page there's a line that says:

17 "Through our interview process, personnel  
18 from departments and agencies involved in  
19 the IPOC initiative, significantly agreed  
20 (average of 4.39) that there's a continued  
21 need for the IPOC initiative."

22 Was that consistent with your view and to your  
23 knowledge with the view of others that were  
24 involved in the IPOC program at the time?

25 A Certainly. As I said, IPOC was a very

1 specialized unit with a very narrow mandate and  
2 if IPOC was not present to conduct those  
3 investigations, I don't know that the focus  
4 would have been on or could have been on  
5 proceeds of crime and money laundering  
6 investigations.

7 Q Thank you. Following this portion in the  
8 evaluation, the evaluation goes on to note a  
9 number of challenges to the IPOC initiative,  
10 suggesting perhaps it that it wasn't at its most  
11 robust state in 2010 and 2011. It mentions the  
12 absence of partners that had been present in the  
13 initial model, some resourcing challenges and  
14 increasing legal and other practical challenges  
15 to tackling money laundering. Is that a fair  
16 summary and what can you tell the Commissioner  
17 about the state of IPOC at this time and the  
18 challenges that it was facing?

19 A Yeah. Early on in the IPOC program it was quite  
20 robust. Multiple partners, Vancouver Police  
21 Department. I believe there were members from  
22 West Van police department, Public Prosecution  
23 Service of Canada, CRA were involved, and so  
24 there were a lot of internal partnerships and  
25 true integration. When I arrived the only

1                   people left were the financial accounting  
2                   management group, or FAMG, and we would get a  
3                   weekly or as required touch base with a CRA  
4                   representative. So it was back to regular  
5                   members of the RCMP and support staff.

6                   Q     You indicated in your previous answer that you  
7                   supported the continuation of IPOC in  
8                   part because without IPOC the focus could not be  
9                   properly on money laundering proceeds of crime.  
10                  Can you explain what you mean by that, why a  
11                  focus on money laundering and proceeds of crime  
12                  was important to have a program like IPOC?

13                  A     Yeah, the predicate offence of say, for example,  
14                  drug trafficking was one aspect of the  
15                  investigation under the CDSA. But organized  
16                  crime groups generate assets and so there always  
17                  needs to be a need to attempt to seize and  
18                  restrain or have forfeited ill-gotten gains, and  
19                  that was the primary focus of the IPOC program.  
20                  And if the IPOC program didn't exist, I'm not  
21                  sure that those types of investigations would be  
22                  undertaken given the primary focus of the  
23                  predicate offences.

24                  MR. ISAAC: Madam Registrar, we can bring this  
25                  document down, please.

1           Q     So I'd like to go back.  You had begun speaking  
2                    about it earlier, Mr. Baxter, but how and when  
3                    did potential money laundering involving  
4                    BC casinos first come to your attention?

5           A     Again, when I did the review of all of the files  
6                    and then sat down with the person doing all the  
7                    correlation of the intelligence and information  
8                    and once I saw the totality of that information,  
9                    I asked the question what are we doing about  
10                   this, what can be done about this, and so I  
11                   created a briefing report and drew the  
12                   conclusion that this really appeared to be  
13                   sophisticated money laundering given the scale,  
14                   the magnitude and the uniqueness of the number  
15                   of \$20 bills that were being generated by the  
16                   casinos.

17          Q     Perhaps you could describe what was that --  
18                    again focusing at that initial stage.  You're  
19                    conducting this file review as the incoming  
20                    officer in charge.  What was that information  
21                    that caught your attention and can you describe  
22                    that please and why that raised concerns for  
23                    you?

24          A     Well, again, it was the totality of the amount  
25                    and the uniqueness of the \$20 bills that were

1                   going through. And I mentioned the Section 86  
2                   Reports that were also within that data  
3                   intelligence and it just seemed to be there was  
4                   a number of individuals involved and a large  
5                   amount of \$20 bills going into the casinos as  
6                   cash buy-ins on a regular basis that to me was  
7                   typical of classic money laundering.

8           Q       Had any surveillance or investigation been  
9                   undertaken by IPOC relating to cash moving  
10                  through casinos prior to your becoming the  
11                  officer in charge of the unit? And what can you  
12                  tell the Commissioner about that, please.

13          A       At the time there wasn't a focus by the C22 or  
14                  money laundering team. There did become a focus  
15                  very shortly after that.

16          Q       So focusing still on these very early stages  
17                  when you're coming in as the officer in charge,  
18                  did you meet with any officials from GPEB about  
19                  what was believed to be going on in and around  
20                  casinos?

21          A       Yes, again, as a result of that review I reached  
22                  out to the gaming policy enforcement branch  
23                  investigative division which resulted in a  
24                  meeting with two of their representatives in our  
25                  offices and it was a general discussion about

1                    what the intelligence and data seemed to be  
2                    indicating, and from that several other meetings  
3                    occurred with GPEB where I was shown video  
4                    surveillance which indicated large shopping bags  
5                    being removed from trunks of vehicles taken into  
6                    casinos and then video of stacks of or what we  
7                    called bricks of \$20 notes piling up at a cash  
8                    cage, knowing that the total of buy-ins was  
9                    200-, 300-, 400,000 dollars, which to me was  
10                   classic money laundering in the heading of  
11                   placement.

12                Q     Who from GPEB did you meet with?

13                A     I met with Joe Schalk and Derek Dickson.

14                Q     You described some of the information and  
15                   intelligence that they were providing to you.  
16                   Did they indicate how long they had been  
17                   accumulating this information?

18                A     They were doing this on an ongoing basis because  
19                   they received all of the reports from the  
20                   casinos, as I mentioned the Section 86 Reports,  
21                   so they had been doing this for quite a while.  
22                   And again they had the video surveillance and  
23                   quite frankly they were very happy to show it to  
24                   us in the hopes that, you know, investigations  
25                   could be undertaken. And the reason we were

1                   dealing with GPEB was because they have special  
2                   provincial constable status. So it was peace  
3                   officer to peace officer discussions and so  
4                   those discussions could be fulsome and frank.  
5                   So that was a very good working relationship.

6           Q        In those frank and fulsome discussions,  
7                   Mr. Baxter, what did the GPEB officials share  
8                   with you in terms of what their concerns or  
9                   assessment about what was going on in and around  
10                  casinos were?

11          A        They stated that their concerns were that this  
12                   was money laundering. Money laundering has  
13                   three stages. It's placement, it's layering,  
14                   and then it's integration. And placement in my  
15                   experience and expertise took place when those  
16                   large bundles of cash were taken to the cash  
17                   cage. And GPEB shared that view. And I have to  
18                   say as I said, they were very happy that we were  
19                   becoming engaged in these types of inquiries and  
20                   potential investigations because they had not  
21                   gotten much traction themselves up to that point  
22                   in time. And their hope and our hope was that  
23                   we could begin to conduct criminal  
24                   investigations.

25          Q        Do you know why they had been unable to get any

1 traction prior to that? What can you tell the  
2 Commissioner about that?

3 A Well, you know, they are the investigative body.  
4 The regulatory body was the BC Lottery  
5 Corporation. So, you know, there was an  
6 inability to move their type of investigation  
7 forward, I guess, is the best way to describe  
8 it.

9 Q Did GPEB personnel express any challenges with  
10 either perceived or actual limitations in their  
11 ability to take additional investigative steps  
12 with respect to what they were seeing either in  
13 or around casinos?

14 A Again, and this is just my own personal opinion  
15 from my discussions with them, my impression was  
16 they felt they weren't getting the support  
17 higher up either within the ministry responsible  
18 or in collaboration with the BC Lottery  
19 Corporation. They were frustrated.

20 Q So once you had this information and these  
21 concerns, you'd conducted this file review and  
22 you'd met with GPEB representatives, what action  
23 did you take as the officer in charge of IPOC in  
24 response to those matters?

25 A I did a comprehensive briefing with my reporting

1 supervisor, Chief Superintendent Bob Harriman,  
2 it's spelt H-a-r-r-i-m-a-n, who was the federal  
3 policing officer for "E" Division. So I briefed  
4 him on the totality of what I had seen. Showed  
5 him some documentation in terms of the  
6 spreadsheets that indicated tens of millions of  
7 dollars of Canadian \$20 bank notes, and as a  
8 result of that meeting very shortly thereafter I  
9 attended a meeting with him and another member  
10 and conducted a videoconference with Derek  
11 Sturko from the ministry.

12 Q If you could describe what that meeting  
13 involved, please.

14 A Again, it was I just repeated what I had done on  
15 the briefing with Chief Superintendent Harriman.  
16 I laid out some of the documentation, some of  
17 the totality of numbers, the number of  
18 Suspicious Transaction Reports and large cash  
19 transaction reports, and as a result of that my  
20 only recollection of Mr. Sturko's response was  
21 he found it quite concerning that it appeared to  
22 be that level of money going into the casinos in  
23 a suspicious manner based on what I was telling  
24 him. He didn't say oh, that's suspicious. I  
25 said to me this appears to be money laundering



1 developed an action plan which began with  
2 surveillance and that surveillance was hopefully  
3 going to provide further evidence and further  
4 steps that could be taken to conduct that  
5 criminal investigation.

6 Q When was it that you directed the C22 team to  
7 initiate the investigation?

8 A In the fall of 2010.

9 Q Under the IPOC model that you were operating  
10 with at the time, was the decision to commence  
11 the investigation one that you were able to  
12 make, or was it subject to tiering against other  
13 non-proceeds in money laundering files? How did  
14 that work?

15 A No, as the officer in charge it's my prerogative  
16 to initiate investigations and direct personnel  
17 and prioritize what investigations we're going  
18 to undertake. Keeping in mind I was also  
19 reporting to Chief Superintendent Harriman and  
20 also the director of IPOC branch in Ottawa.

21 Q You indicated some of the members of the  
22 C22 team money laundering team that were put  
23 toward this investigation. Can you describe  
24 more broadly what resources were put toward the  
25 investigation and what the investigation looked

1                   like? You know, what was the -- you indicated  
2                   they were looking to try to establish whether or  
3                   not there was a predicate offence around the  
4                   source of the money. But if you could explain  
5                   how they went about trying to do that and the  
6                   resources that were assigned to do so.

7           A       The C22 team when that was rolled out across the  
8                   country with more specialized funding for money  
9                   laundering was a team comprised of five regular  
10                  members of the RCMP and one support staff. And  
11                  so, you know, surveillance is very difficult  
12                  with five people, so I also authorized the team  
13                  leader to pull in other IPOC resources to assist  
14                  in surveillance. And so the basis was  
15                  surveillance, where do we start? Keeping in  
16                  mind that a lot of the information we had was  
17                  time delayed. It wasn't like okay, here's the  
18                  person, here's the money coming out of the trunk  
19                  and we're live. It's not. It's days and weeks  
20                  later. So first you have to establish a  
21                  starting point. And in our discussions, myself,  
22                  the operations officer and team leader, we felt  
23                  that there was a high likelihood that  
24                  loan-sharking was involved in the generation of  
25                  those amounts of \$20 bank notes. Drug

1                   traffickers and drug trafficking generates  
2                   massive amounts of cash and most of it is  
3                   \$20 bills.

4           Q       And as this investigation started and developed  
5                   in 2010 and into 2011, what was the size and  
6                   significance of this investigation in relation  
7                   to the other money laundering investigations  
8                   undertaken by IPOC during your time in charge of  
9                   the unit?

10          A       It was the most high profile investigation that  
11                   the C22 team was conducting during the time that  
12                   I was there. This was of significant amounts.  
13                   Again, the potential that it was backed by  
14                   organized crime using the casinos to launder the  
15                   proceeds of those crimes. And again from my  
16                   experience back with the Asian organized crime,  
17                   I knew that in particular Asian organized crime,  
18                   criminal activity and they were working very  
19                   closely with other organized crime groups,  
20                   Mexicans, the Persians and I felt there was a  
21                   high potential that Asian organized crime was  
22                   being used to collate bulk cash and use patrons  
23                   at the casinos to launder that money into the  
24                   casinos.

25           MR. ISAAC: Madam Registrar, if we could bring up

1 exhibit 759, please. For participants, this is  
2 also CAN-1275. Mr. Baxter, I'm showing you a  
3 "Casino Summary and Proposal." This is dated  
4 December 2011. So I take it this would have  
5 been about a year into the investigation. Do  
6 you recognize this document and can you just  
7 give the Commissioner a bit of context about  
8 what this document is, please.

9 A This would have been generated within the  
10 C22 team as to how they were going to go about  
11 continuing the investigation into the money  
12 laundering at the casinos. And keep in mind  
13 this had been ongoing working with the GPEB  
14 personnel. In fact at one point two of the GPEB  
15 personnel joined in with the C22 team conducting  
16 surveillance. So this is kind of within the  
17 team what are we doing here, how do we get  
18 there.

19 Q And I've heard reference to this is a preop  
20 plan. Is that a term you're familiar with and  
21 would that apply to this document?

22 A Yeah. It would be, like I say, the early stages  
23 of a particular probe or intelligence gathering.  
24 If there proved to be links that could be  
25 further acted upon it would have or could have

1                   generated what we recall a project report which  
2                   is an operational plan complete with resourcing  
3                   and funding methodology for approval.

4           Q        You see on page 1 there under the heading

5                   "Introduction" the second paragraph. It says:

6                               "The information provided in this document  
7                               is compiled from a variety of sources."

8                   It goes on to list a non-exhaustive list of  
9                   STRs, intel reports, other police agencies,  
10                   other government agencies, source debriefings,  
11                   interviews with high-limit gamblers, patrons of  
12                   the casinos, interviews with families of casino  
13                   patrons who report funds in excess, speaking to  
14                   casino employees and hands-on surveillance. Is  
15                   that an accurate distillation of the types of  
16                   sources that the investigation was drawing on at  
17                   this time?

18           A        Yes. And keep in mind that this was in  
19                   conjunction with Gaming Policy Enforcement  
20                   Branch. They were providing a lot of the  
21                   background information that results in that  
22                   paragraph.

23           Q        And if we go on in the next paragraph under the  
24                   heading "Summary" it says:

25                               "In the fall of 2010, "E" Division IPOC's

1 money laundering team, MLT, began looking  
2 into the large influx of cash into Lower  
3 Mainland casinos."

4 It goes on to refer to large buy-ins in the  
5 hundreds of thousands of dollars mainly in \$20  
6 bills becoming commonplace. It says:

7 "The vast majority of these gamblers are  
8 from Mainland China. These individuals  
9 appear to have considerable wealth in  
10 China but limited access to their own cash  
11 in Canada (due to PRC currency export  
12 restrictions) and therefore rely on loan  
13 sharks in the casinos to provide them with  
14 the hard currency they need to feed their  
15 gambling habits."

16 If we scroll, please, down, Madam Registrar, to  
17 the next page. It says there, there's a  
18 paragraph that says:

19 "It is not the wealth of the individual  
20 gamblers, but the root source of the cash  
21 they deploy at the gaming tables that  
22 should be of greatest concern to law  
23 enforcement. Bulk cash in these amounts  
24 is not readily available through  
25 traditional means (banks) and undoubtedly

1                   has its origins in the drug trade or other  
2                   illicit activities. While tens of  
3                   millions of dollars have moved through the  
4                   casinos in this fashion and scores of  
5                   individuals have been making these large  
6                   cash buy-ins, the IPOC MLT has determined  
7                   that a select few of the individuals and  
8                   groups are garnering the majority of the  
9                   Suspicious Transaction Reports."

10                   Just pausing there. Is that an accurate summary  
11                   of the suspected typology? You referred to  
12                   placement, but of the sort of broader typology  
13                   that was the concern and focus of the IPOC  
14                   investigation from its initiation in the fall of  
15                   2010?

16                   A     Yes.

17                   Q     The report says that:

18                                 "Bulk cash in these amounts is not readily  
19                                 available through traditional means  
20                                 (banks) and other undoubtedly has its  
21                                 origins in the drug trade or other illicit  
22                                 activity."

23                   What does that mean and was that a view shared  
24                   by you and the other investigators involved in  
25                   this investigation?

1           A     Like I said earlier, drug trafficking generates  
2                    massive amounts of bulk cash, but the organized  
3                    crime groups can't take that money to the bank.  
4                    They have to do something with it so that then  
5                    they can use it in order to buy luxury cars or  
6                    boats or whatever. And so to do that it has to  
7                    be laundered in some manner that legitimizes its  
8                    existence and while I agree that maybe a lot of  
9                    these people, high-end gamblers, were from out  
10                   of Canada, they didn't come to Canada with  
11                   \$400,000 in Canadian bank notes in their  
12                   luggage. When they arrived there was some  
13                   mechanism in place for them to receive that  
14                   money, and that's what we saw in the video  
15                   surveillance with the large bags with the  
16                   \$10,000 bricks being piled up at cash cages. So  
17                   I had seen similar bricks, \$10,000 in value with  
18                   elastic bands together in the money pickups that  
19                   I referred to earlier for the pickups to take  
20                   that money to the US. In my mind there was the  
21                   cash pickups being conducted and also there was  
22                   money being provided to gamblers, either  
23                   international or local, and taken to casinos to  
24                   be placed. And once it's in the cash cage it's  
25                   commingled with all of the money generated at

1                   that particular casino during that day.

2                   Q     You referred to the money and looking like money  
3                   that you had seen in other money laundering  
4                   operations in terms of the cash pickups. Was  
5                   there anything about the cash itself, the  
6                   denominations or the manner in which it was  
7                   packaged or presented that raised suspicions on  
8                   the part of you and your team?

9                   A     Yes, they were \$10,000 bricks. They had elastic  
10                  bands tying them together in \$1,000 bundles and  
11                  then placed together in the bricks. In all  
12                  those money pickups we subjected them to a drug  
13                  detector dog and 100 percent of the time the dog  
14                  indicated positive for narcotics.

15                 Q     So what was the investigative challenge, if I  
16                  could put it that way, in terms of trying to  
17                  identify potential charges and connect this  
18                  money that you and your team believe was  
19                  suspicious back to its source and to determine  
20                  whether or not that was criminal or not?

21                 A     Yeah, again, you know, using the *Criminal Code*  
22                  and *Proceeds of Crime (Money Laundering)*  
23                  *Terrorism Financing Act* the onus is on police to  
24                  prove beyond a reasonable doubt, to gather  
25                  evidence to show knowledge and intent a

1 predicate offence. And so those were  
2 significant hurdles for investigators to try to  
3 achieve. There was a methodology that could be  
4 undertaken to do that and again as I said  
5 earlier surveillance was a major part of that.  
6 But again not illegal to possess genuine  
7 currency. Even in bulk amounts. There's no  
8 onus on the person to declare where they got the  
9 money. At the casinos when they went to the  
10 cash cage, the transaction reports were  
11 completed but the true source of the money is  
12 not indicated in those reports at all. And that  
13 was a concern that I had.

14 Q Was the terms of the -- you referred to  
15 surveillance. Was that a surveillance on the  
16 individuals who were observed bringing the money  
17 into or into the vicinity of the casinos to  
18 attempt to essentially follow them back to  
19 locate where the money was actually coming from?  
20 Was that part of what the surveillance that you  
21 were referring to there involved?

22 A Yeah, there had to be a starting point for  
23 surveillance, whether it was in the parking lot  
24 of a casino or at a suspected location where  
25 money was being brought by runners or a bulk

1                   warehouse for the moneys, just so that there was  
2                   an access to the gamblers that wanted it. I was  
3                   aware from meetings with GPEB of occurrences  
4                   where particular vehicles were seen arriving to  
5                   deliver cash to patrons. In one particular  
6                   instance that comes to mind a patron had brought  
7                   in for \$200,000 and actually lost it all, and  
8                   then surveillance showed a phone call made and a  
9                   short period of time later a particular vehicle  
10                  pulled up in front, the patron met with him, got  
11                  two bags of cash and bought back in again for  
12                  another whatever it was, 200,000. So I had that  
13                  kind of information in mind, and again it was a  
14                  challenge for the money laundering team to  
15                  conduct those surveillances, but the objective  
16                  was to get back to where the cash was coming  
17                  from and the individuals involved.

18                Q    We will look at the investigation and how it  
19                    progressed in more detail shortly. But perhaps  
20                    at this stage as this investigation continued,  
21                    did it ever reveal anything that caused you or  
22                    the other investigators to question the  
23                    underlying suspicion that the source of the cash  
24                    was criminal? For example, did your team's  
25                    surveillance of these suspected loan sharks ever

1                   lead back to banks or other potentially  
2                   legitimate sources for the quantities and type  
3                   of cash that you observed was being moved  
4                   through the casinos?

5           A       Not at all, no.

6           Q       As part of the investigation we've heard  
7                   reference to testing currency for drug residue,  
8                   whether that's through a sniffer dog. Was that  
9                   something that your investigation had an  
10                  opportunity to do with respect to the cash that  
11                  was being moved through the casinos? What can  
12                  you tell the Commissioner about that and at this  
13                  point in time would that have been a reliable  
14                  means of detecting whether or not the cash might  
15                  have been from a criminal activity?

16          A       No, there was no opportunity for that  
17                   whatsoever. Once the patron entered the casino  
18                   with the bags of cash, went to the cash cage, it  
19                   was counted and then it was commingled with the  
20                   moneys being taken in by the casino that day.  
21                   So it was lost in totality.

22          Q       Thank you. Madam Registrar, we can bring this  
23                   document.

24                               Perhaps you said that there was no  
25                   opportunity to conduct that analysis in the

1 course of this investigation, but a question  
2 more broadly is drug residue and that testing  
3 something that you're generally familiar with  
4 based on your proceeds of money laundering crime  
5 investigative experience?

6 A Yes, I've on many occasions used the detector  
7 dogs on cash as furthering the investigation.  
8 But I have to fair in saying that it's been my  
9 experience also that generally cash in  
10 circulation in Canada, there's a good  
11 possibility that a detector dog would detect the  
12 \$20 bills in your wallet. It's just that  
13 prevalent through the circulation of currency in  
14 Canada. So it wasn't just unique to drug  
15 traffickers money, but it was certainly --

16 Q We can leave my wallet out of it, Mr. Baxter.

17 A No 20s?

18 Q No 20s. I'd like to continue on in terms of the  
19 role that GPEB played in the investigation as it  
20 continued. Did GPEB officials and investigators  
21 continue to support and provide intelligence and  
22 other information to the investigation? What  
23 can you tell the Commissioner about that,  
24 please?

25 A Yeah, that was on an ongoing basis. We had

1 multiple meetings either at our offices or at  
2 their offices. Some just with myself, my ops  
3 officer and another inspector in their offices  
4 with their director, Larry Vander Graaf, and the  
5 investigators. And again it was like okay,  
6 where are we at, how can we help in a criminal  
7 investigation and how can we get there in terms  
8 of gathering that evidence? So it was an  
9 ongoing working relationship.

10 Q Were GPEB investigators, did they play any  
11 direct role or other role with respect to the  
12 C22 investigation?

13 A Yes, as I said earlier, two of them joined in  
14 for a period of time on this surveillance of in  
15 and around casinos in the Lower Mainland.

16 Q Notwithstanding that they were also peace  
17 officers would they have had as a result of that  
18 involvement, would they have had a complete  
19 visibility into the totality of the IPOC  
20 investigation?

21 A Yes, with a caveat. We are involved in a  
22 criminal investigation and they were strong  
23 partners in that investigation, but there could  
24 be areas where information might be not shared  
25 as much. Human sources, for example, that type

1 of thing.

2 Q Understood. During this period were you  
3 continuing to receive intelligence from FINTRAC  
4 relating to the investigation? What can you  
5 describe in terms of the volume and the value of  
6 that information to the investigation?

7 A Again, FINTRAC sending the vers [sic] to our  
8 unit was collated with information being  
9 received and the section 86s and the STRs and  
10 LCRs. So it was all part and parcel of the  
11 ongoing volumes that in 10 million, 20 million,  
12 50 million, 80 million, it just kept  
13 accumulating and a vast percentage, 80  
14 plus percent was \$20 bills. And again if you do  
15 the math, like, \$400,000 in Canadian 20s is  
16 \$20,000 -- 20,000 \$20 bills. Where do you get  
17 that? You can't generate that in a business.  
18 To me it's incredulous. So again to me that  
19 just gave me weight that this is criminal  
20 organization profits.

21 Q Connecting it back to what the investigation was  
22 showing, did the investigators -- I asked  
23 whether or not they ever followed one of these  
24 suspected loan sharks back to a bank. But did  
25 they ever follow them back to another legitimate

1 source, for example a business that one might  
2 expect would be regularly generating that  
3 level -- a legitimate business regularly  
4 generating that level and type of cash?

5 A No.

6 Q During this period was IPOC receiving STRs and  
7 other reports directly from the BC Lottery  
8 Corporation?

9 A Yes, IPOC had an established email recipient  
10 address and BC Lottery Corporation was sending  
11 STRs direct to that account, and again that  
12 person who I described earlier as collating that  
13 information would use those individual STRs to  
14 create that master list of who was involved,  
15 what amounts and what the cumulative amounts  
16 were.

17 Q What was your understanding of why that was  
18 being done and what was its value to receive  
19 those reports directly from BCLC?

20 A Extremely valuable. I mean, it's intelligence  
21 on an ongoing basis and it was as a result of  
22 establishment of a protocol where BCLC would  
23 submit to FINTRAC as that mandatory requirement  
24 under the *Proceeds of Crime (Money Laundering)*  
25 *Terrorism Financing Act* but also sent them to

1 IPOC.

2 Q Aside from this receiving of direct reports from  
3 BCLC did IPOC have any direct engagement with  
4 BCLC in 2010 in the stages of the investigation?

5 A No. I didn't. Neither did my ops officer. I  
6 know there was one approach to one of my  
7 sergeants but that certainly not with me.

8 Q Was there a reason why not? Was it that IPOC  
9 hadn't requested or BCLC hadn't requested or it  
10 wasn't just something that would have been  
11 helpful at that point in the investigation?

12 A It didn't evolve because our relationship was  
13 with GPEB. It had not to my knowledge been  
14 there before my arrival in IPOC. It may have  
15 been on an infrequent or informal basis but  
16 certainly when I arrived and did my evaluation,  
17 I looked at who is our partners. I met with all  
18 of them and BCLC was not one of the entities  
19 listed on our contact list.

20 Q Did you have any direct engagement with the  
21 service providers, the casinos at any point  
22 during the investigation?

23 A No. That would have been inappropriate.

24 Q What was your assessment of the quality and  
25 accuracy of the reporting that was coming from

1 the casinos during this period?

2 A That was one of my concerns was the veracity of  
3 that information. The forms were being filled  
4 out, but the determination of addresses and  
5 things like that, one was pointed out to me was  
6 a vacant lot in North Vancouver. You know, a  
7 businessman from China or owned a coal mine,  
8 that type of thing. It just to me the veracity  
9 of the information I didn't like and the reports  
10 were being filled out, but I had concerns about  
11 the veracity.

12 Q In this period in 2010 you referred to one  
13 meeting that you had or briefing that you had  
14 with Mr. Sturko. Within the RCMP, were you  
15 briefing your superiors about the casino  
16 intelligence probe and the concerns about cash  
17 moving through casinos in 2010?

18 A I was briefing Chief Superintendent Harriman,  
19 the federal policing officer for "E" Division,  
20 and on occasion the director of IPOC branch in  
21 Ottawa.

22 Q And who was that?

23 A That was Superintendent Jeff Adams. A-d-a-m-s.

24 Q Was this part of your regular reporting, the  
25 usual reporting that you were doing as the

1 officer in charge of IPOC?

2 A Yes.

3 Q And you described your meeting with Mr. Sturko,  
4 what was discussed there. In your reporting to  
5 Chief Superintendent Harriman, what was the  
6 response from Chief Superintendent Harriman to  
7 the concerns and the suspicions and other  
8 information that your briefings contained?

9 A Well, to him it was a general overdue briefing  
10 and the direction was, you know, carry on with  
11 the investigation in hopes of laying criminal  
12 charges.

13 Q Were all of the investigators within IPOC  
14 involved in this casino intelligence probe, were  
15 they all reporting through to you?

16 A Yes, they would report to the operations  
17 officer, as I said initially it was Mike Arnold  
18 and then it became Cal Chrustie, and the ops  
19 officer would report to me.

20 Q Was there any, would any of your superiors  
21 within the RCMP have been receiving parallel  
22 reporting from your investigators, or would that  
23 all have happened as you've described there  
24 filtered through you?

25 A It would only be filtered through me. Anything

1                   that left the IPOC offices were under my  
2                   signature.

3           Q       Can you explain what you mean by that?  What do  
4                   you mean anything that left the IPOC offices was  
5                   with your signature?

6           A       If there was correspondence going out I always  
7                   had the opportunity to review it, make comments  
8                   on it and it was always sent under the auspices  
9                   of the officer in charge "E" Division IPOC.  If  
10                  it was a request for assistance from CRA or a  
11                  request from CBSA or whatever or an operational  
12                  report, it had to go through me.  I mean, that's  
13                  the chain of command.  And I would then forward  
14                  it on to then Chief Superintendent Harriman and  
15                  then it would go up to the criminal operations  
16                  officer for "E" Division.

17          Q       In early January I understand that you were  
18                   interviewed by CBC news in relation to --

19          A       I was.

20          Q       In relation to a story about what was going on  
21                   in BC casinos.  I believe the date was  
22                   January 4th, 2011.  Is that correct?

23          A       I was, yes.

24          Q       What led to that interview taking place?

25          A       Our media relations entity for "E" Division had

1                   apparently received a request from CBC for an  
2                   interview of somebody involved in money  
3                   laundering, and as a result of that I was  
4                   contacted and asked to prepare for a media  
5                   interview which subsequently happened in  
6                   January of 2011.

7           Q       So was participation in this interview your idea  
8                   or was it something that you were asked to do?

9           A       It was something I was asked to do by  
10                   "E" Division media relations.

11          Q       Before the interview were you provided with any  
12                   direction or instruction about how you should  
13                   approach the interview or what you should say  
14                   during the interview?

15          A       I met with media relations experts, personnel  
16                   and we went through how we would conduct the  
17                   interview, what the boundaries would be from it.  
18                   We had asked CBC for a list of questions that  
19                   they wished to pursue and from that I prepared  
20                   for the interview. And I have to say that I was  
21                   also -- in the RCMP there's a specialized course  
22                   for media relations and I had received and  
23                   completed that course.

24          Q       And what was generally the direction that you  
25                   were given about how to approach the interview

1                   and in terms of what you were permitted to go  
2                   into and what you weren't?

3           A       Well, of course criminal investigation is out of  
4                   bounds, you know, the specifics of it. Answers  
5                   general in nature. I know from my media  
6                   training course, for example, and it was  
7                   conducted by high profile people of the media,  
8                   was, you know, generally RCMP officers giving  
9                   media briefings are pretty stiff and stern and  
10                  one of the things they suggested was try to be a  
11                  little bit human. And that's just the way I'm  
12                  and that's the way I came across.

13          Q       Roughly how long did the CBC interview take?

14          A       I'll say somewhere around two hours.

15          Q       I'd like to review some of what was discussed in  
16                   that interview, Mr. Baxter, and there's a  
17                   document I'll show you just as reference for  
18                   that.

19                               Madam Registrar, if we could bring up  
20                   BCLC15750, please.

21                               Mr. Baxter, this is a document that was  
22                   produced by BCLC that simply reproduces a number  
23                   of media stories relating to money laundering  
24                   and casinos. It's a convenient reference for  
25                   some of those and some of those stories are ones



1 statements that you provided to the CBC during  
2 the interview?

3 A Yes.

4 Q You use the term "we're suspicious that it's  
5 dirty money." Who is the "we" in that sentence?

6 A Obviously myself, but all of us on the  
7 investigative side, my ops officer, the C22 team  
8 personnel, GPEB, we were all of the same mind  
9 that this has to be dirty money. There's  
10 something wrong here. And to this day anybody  
11 seeing the video of that patron in the casino  
12 dumping \$10,000 bricks of cash out of those  
13 plastic grocery bags on to that cash counter has  
14 to say there's something wrong here because you  
15 can't walk into a bank and do that. You can't  
16 walk into a new car dealer and dump \$100,000 in  
17 bundled 20s on to the desk to pay for it. To  
18 me, fundamentally there's something wrong with  
19 that.

20 Q Was this a consensus view among the  
21 investigators within C22 and GPEB at this time  
22 or any of those involved in the investigation or  
23 briefed about it indicated a contrary view that  
24 this was not a matter of concern?

25 A No, this was a consensus with everybody that I

1                   dealt with right up to Chief Superintendent  
2                   Harriman.

3           Q        Okay. And I'd like to if we could scroll above,  
4                   there's a couple of other references in the same  
5                   article I just want to take you to. There's a  
6                   paragraph that begins "in one instance." Do you  
7                   see that?

8           A        Yes.

9           Q        The paragraph reads:

10                    "In one instance in May, a man entered the  
11                    Starlight Casino in New Westminster  
12                    carrying chips worth \$1.2 million and  
13                    immediately had casino staff convert the  
14                    chips to cash. And after stuffing the  
15                    money into a suitcase the man said he was  
16                    about to catch a plane and was concerned  
17                    about questions from airport security  
18                    about such a large amount of currency."

19                   Goes on to say:

20                    "He requested and was given a letter from  
21                    the staff confirming the money was a  
22                    casino payout, the document said."

23                   Is this incident referred to here in this  
24                    article involving Starlight Casino and this  
25                    letter something that you were aware of prior to



1 incident noted that "none of [the man's]  
2 actions are suspicious."

3 Is this another incident that you may have been  
4 aware of at the time and is this something that  
5 was an isolated incident or one of perhaps many  
6 examples that you saw through the course of the  
7 investigation?

8 A That's one of many examples. And in my opinion  
9 what is not suspicious about \$460,000 in cash  
10 being taken to a cash cage to buy in? To me  
11 it's incredulous.

12 MR. ISAAC: Mr. Commissioner, perhaps now might be a  
13 good time to take a ten-minute break if that's  
14 possible.

15 THE COMMISSIONER: Yeah, we'll do that, Mr. Isaac.  
16 Ten minutes.

17 THE REGISTRAR: This hearing is adjourned for a  
18 ten-minute recess until 10:56 a.m. Please mute  
19 your mic and turn off your video.

20 **(WITNESS STOOD DOWN)**

21 **(PROCEEDINGS ADJOURNED AT 10:46 A.M.)**

22 **(PROCEEDINGS RECONVENED AT 10:56 A.M.)**

23 **BARRY BAXTER, for the**  
24 **commission, recalled.**

25 THE REGISTRAR: Thank you for waiting. The hearing



1                   they believe should have been flagged as  
2                   suspicious were in fact only reported as  
3                   large. 'It's still reported,' said  
4                   Baxter. '[But] there's the letter of the  
5                   law and the spirit of the law.'"

6                   And it goes on to cite one example of referring  
7                   to an example that you provided of someone  
8                   bringing in \$250,000 in chips with \$20 bills  
9                   which the casino only reported it as a large  
10                  transaction. And the quote that is attributed  
11                  to you following, if we could scroll down just a  
12                  little bit further, Madam Registrar, is:

13                  "'What is not suspicious about \$250,000 in  
14                  twenties,' said Baxter. 'The average  
15                  person on the street would go, "there's  
16                  something stinky about that," so why would  
17                  that be a large transaction and not a  
18                  suspicious transaction?'"

19                  Just pausing there. Were these comments  
20                  accurate in terms of the comments that you  
21                  provided in that same CBC interview?

22                  A     Yes.

23                  Q     And what are you referring to here in terms of  
24                  the letter of the law and the spirit of the law  
25                  and transactions that you believe should have

1                   been flagged as suspicious but were only in fact  
2                   reported as large? If you could elaborate on  
3                   that, please, for the commission?

4           A       Sure, by definition a suspicious transaction  
5                   generates a lot more interest than someone  
6                   saying it was a large cash transaction. In my  
7                   mind, the bundling that I've described earlier,  
8                   the amount, irregardless of there being the  
9                   casino, their knowledge of the patron whether  
10                  they make that subjective call to note that as a  
11                  suspicious transaction or as a large one is  
12                  dependent upon how the casino reports it and  
13                  again something that's suspicious. What's not  
14                  suspicious about that amount of money in bundled  
15                  20s? Again just my own personal opinion. To me  
16                  that is suspicious, and again it goes back to  
17                  what I said earlier about in totality my concern  
18                  about how the transactions occurring within the  
19                  casinos were being reported. They're reported,  
20                  but as a valued patron, which was the way they  
21                  were described to me later by BCLC, there was  
22                  nothing suspicious anymore because they had been  
23                  there numerous times. It's just simply another  
24                  large cash buy-in. And again to me it just  
25                  didn't make sense.

1           Q     Can you explain what you referred to there in  
2                    terms of BCLC and you've indicated that  
3                    something about because a patron had been there  
4                    several times it was no longer suspicious. Can  
5                    you explain that a little bit further, please.

6           A     Yeah, again in our discussions with GPEB and  
7                    later confirmed by discussions with BCLC is that  
8                    if the person first came in and had \$300,000 and  
9                    bought in, they would do a Suspicious  
10                  Transaction Report. But if it came in three or  
11                  four days later, well, they already knew all  
12                  about him was the rationale, and so it's no  
13                  longer suspicious because, we know who this  
14                  patron is; we'll just report it as a large cash  
15                  transaction. And that gave me a great deal of  
16                  concern.

17          Q     Were these -- there's one example cited here in  
18                  this article and you've referred to another sort  
19                  of perhaps category of examples. But was this  
20                  an isolated thing that you were observing, or  
21                  was it something that to your knowledge appeared  
22                  to be occurring with some level of frequency?

23          A     Some level of frequency. And again in speaking  
24                  with the person doing all the collation of  
25                  information within the IPOC unit that was a

1 concern for him as well in that general  
2 discussion, wow, this really should have been a  
3 Suspicious Transaction Report or this should not  
4 have been a Large Cash Transaction Report and  
5 again that's just our opinion, our expertise  
6 within the money laundering investigative  
7 capacity.

8 MR. ISAAC: Thank you. Mr. Commissioner, if we could  
9 please mark this as the next exhibit.

10 THE COMMISSIONER: Yes, very well. That will be -- I  
11 think we're at 823, are we, Madam Registrar?

12 THE REGISTRAR: Yes, that's correct, 823.

13 **EXHIBIT 823: Media Excerpts: Money Laundering**  
14 **in Casinos - various, 2011**

15 MR. ISAAC: And we can bring this document down,  
16 please, Madam Registrar.

17 Q Mr. Baxter, what happened immediately following  
18 your interview with CBC?

19 A I received a phone call I believe the next day  
20 from the criminal operations officer for  
21 "E" Division, Assistant Commissioner Craig  
22 Callens, which is not unusual, it's his  
23 prerogative as the CROPS officer to deal with  
24 anybody he wants to. It was maybe a bit outside  
25 the norm because my chain of command had been

1                   bypassed, but potentially the federal policing  
2                   officer was not available. So I don't want to  
3                   make any more of it than that. It's his  
4                   prerogative to call if he wants to.

5           Q       Was that a phone call -- we'll discuss that in a  
6                   moment, but was that a phone call that I  
7                   understand that Minister Coleman made comments  
8                   to the media in relation to the CBC interview  
9                   that you had conducted? Was that phone call  
10                  that you received something that followed after  
11                  those comments or did it precede them?

12          A       I believe it was after those comments.

13          Q       So Minister Coleman's comments to the media  
14                  occurred to your knowledge, best of your  
15                  recollection, prior to the phone call that you  
16                  received?

17          A       That's my recollection.

18          Q       Well, let's start, then, with the comments to  
19                  the media. What do you recall were Minister  
20                  Coleman's comments to the media?

21          A       I believe his response to a question from the  
22                  media was that he did not agree with what I had  
23                  said and further that he had spoken to my  
24                  superiors and they agreed with him.

25          Q       How did you learn about those comments of

1 Minister Coleman?

2 A Through the media, on air and in written form.

3 Q What was your reaction hearing about what  
4 Minister Coleman had said?

5 A Well, I didn't agree with him. And I was taken  
6 aback that he would report that superiors of  
7 mine did not agree with me and my position that  
8 this was in fact money laundering.

9 Q Did you know at the time who Minister Coleman  
10 was referring to in terms of your superiors in  
11 the RCMP who didn't agree with you?

12 A No, I don't.

13 Q Have you learned since who Minister Coleman may  
14 have been referring to?

15 A I'd only be speculating. I don't know for sure  
16 and I don't know for sure that the comment was  
17 even made.

18 Q In any of your discussions with your superiors  
19 or your subordinates within the RCMP either  
20 before or after the interview, did anyone ever  
21 express the view that IPOC's concerns about the  
22 suspected criminal origins of the cash moving  
23 through casinos was wrong, that the cash moving  
24 through casinos was not a problem or anything to  
25 that effect?

1           A     Not at all.  Nobody.  My direct report was the  
2                    federal policing officer of "E" Division and  
3                    again, he was the one that set up the meeting  
4                    with Derek Sturko and fully supported everything  
5                    we were doing.

6           Q     You mentioned earlier about some of the  
7                    reporting lines.  Who aside from you and your  
8                    investigators would have had knowledge of or  
9                    visibility into IPOC's ongoing investigation  
10                   into the cash moving through the casinos and the  
11                   intelligence and other information that your  
12                   unit was looking at in that regard?

13          A     Nobody but that was internal to IPOC, my  
14                    personnel and myself and the federal policing  
15                    officer.

16          Q     You indicated that would have been Chief  
17                    Superintendent Harriman?

18          A     Yes.

19          Q     In any of your briefings or discussions with  
20                    Chief Superintendent Harriman, did he ever  
21                    express to you that he or anyone else within the  
22                    RCMP, provincial government or anyone else  
23                    believe that your suspicions, IPOC suspicions  
24                    were misplaced, that your team was on the wrong  
25                    track, that the cash moving through casinos was

1                   legitimately sourced or anything else to that  
2                   effect?

3           A       Nothing in that manner whatsoever.

4           Q       As an independent unit would any reporting be  
5                   making its way out of IPOC regarding the ongoing  
6                   investigation aside from your direct reporting  
7                   to Chief Superintendent Harriman?

8           A       No.

9           Q       Would I be correct to believe that even internal  
10                  to the RCMP there isn't a free flow of  
11                  information about ongoing investigations?

12          A       No, not at all.

13          Q       I think you referred earlier that anything that  
14                  left IPOC, any briefings, any materials,  
15                  anything else of that nature would have required  
16                  your approval and signature; is that right?

17          A       Correct. And/or signature.

18          Q       Did Minister Coleman ever speak with you or  
19                  communicate with you either before or after your  
20                  interview and his subsequent comments to the  
21                  media?

22          A       No.

23          Q       Did you ever receive an explanation for why  
24                  Minister Coleman made those comments or what the  
25                  basis for them was?

1           A     No.

2           Q     I'd like to ask, you reference the call that you  
3                   received from Assistant Commissioner Callens.  
4                   You indicated that that was an unusual  
5                   occurrence. Is that fair?

6           A     I had not gotten one from him before, but again  
7                   I don't know want to make too much of it. Its  
8                   his prerogative. If he wanted to call he can  
9                   contact me direct, so ...

10          Q     His prerogative but not something that was a  
11                   frequent or even an occurrence that had happened  
12                   prior to that point?

13          A     Correct.

14          Q     What did Assistant Commissioner Callens say to  
15                   you when he called you?

16          A     We discussed the CBC interview and I explained  
17                   our investigative approach and offered to  
18                   provide a thorough briefing, in-depth briefing  
19                   of all of the intelligence, the data, the  
20                   documentation, but he declined to receive a  
21                   direct briefing.

22          Q     What else do you recall him saying to you in  
23                   that conversation?

24          A     He had asked what my concerns were in terms of  
25                   what was going on in the casinos and the thing

1                   that was top of mind was the ability at that  
2                   time to commingle chips from various casinos and  
3                   then cash them in, i.e., that occurrence at the  
4                   Starlight Casino. So I specifically talked  
5                   about the chip passing and the commingling of  
6                   chips as being a concern because they became  
7                   monetary instruments that had been successfully  
8                   placed and integrated, laundered, and were now  
9                   being turned into legitimized cash.

10            Q       Did you explain to him that there was a volume  
11                   of intelligence and other information that your  
12                   unit was actively investigating at that time  
13                   that gave rise to the concerns that you had  
14                   expressed?

15            A       Yeah, I indicated we had overwhelming amount of  
16                   intelligence and data and that's when I offered  
17                   to do a comprehensive briefing.

18            Q       Do you recall anything else in terms of how that  
19                   phone call ended or what Assistant Commissioner  
20                   Callens said to you at the conclusion of the  
21                   phone call?

22            A       Yeah, it was a bit of an unusual statement. He  
23                   said I had to know my audience, and I'm not  
24                   really sure what he meant by that, but that's  
25                   what he said.

1 Q But what did you take from that comment?

2 A Not really sure how I interpreted it. It was,  
3 like I say, it was a bit of an unusual  
4 statement. You know, just to be careful about  
5 broadcasting not only the investigation but --  
6 I'll just leave it at that.

7 Q Do you know what prompted the phone call from  
8 assistant commissioner Craig Callens to you?

9 A No, although I have to say that, you know, the  
10 division management monitors what's going on in  
11 the media. You know, we were all well aware  
12 that for a number of months previous to this  
13 that there was extensive media interest in money  
14 laundering at casinos by various reporters and  
15 news agency, and so he would have certainly  
16 received a briefing on what occurred the day  
17 or days before in terms of media associated to  
18 the RCMP. And again I want to go back, my  
19 recollection is that I'm not sure that Bob  
20 Harriman was still there in that inline  
21 position, hence the direct phone call from  
22 Assistant Commissioner Callens.

23 Q Did you raise any specific suggestions or make  
24 any other comments about how the ongoing issues  
25 that you perceived to be occurring through the

1 casinos might be addressed or make any specific  
2 recommendations in that phone call with  
3 Assistant Commissioner Callens?

4 A No, just my concern about the ability at that  
5 time to commingle chips from various casinos and  
6 then go to another casino and cash them in,  
7 which was again a concern. For not only me  
8 personally, but within the investigation and in  
9 the discussions with GPEB that this should not  
10 be occurring. You should not be able do that  
11 because you could theoretically have ten people  
12 in casino and buy in with 50,000, get the chips,  
13 so you placed the ill-gotten gains, you've got  
14 the chip and then they're commingling the chips  
15 and then cashing them in. So it completes the  
16 circle of the washing of the ill-gotten gains.

17 Q So you specifically raised the commingling and  
18 chip issue during that phone call?

19 A Yes.

20 Q What happened following the phone call that you  
21 received from Assistant Commissioner Callens?

22 A In terms of the chip commingling?

23 Q Well, did you receive any further -- well, we'll  
24 break this down. Did you receive any further  
25 communication from the RCMP about the interview

1                   or how you ought to respond to any further  
2                   inquiries?

3           A       Yeah, I got a phone call from the officer in  
4                   charge of the "E" Division media relations unit,  
5                   inspector Tim Shields. He told me that I was to  
6                   refer all future media inquiries to his office  
7                   and that I was to refrain from speaking to any  
8                   other reporters or answering phone calls. Which  
9                   is not unusual. That's what that department is  
10                  for and I took it for what it was worth.

11          Q       And what about on the commingling and chip  
12                   issue? Was there anything that followed after  
13                   your phone call with Assistant Commissioner  
14                   Callens about that?

15          A       Yeah. A short time later the regulations were  
16                   changed that prohibited the commingling of  
17                   chips. So that issue was resolved by a change  
18                   in the regulations.

19          Q       When you say "a short time later," do you recall  
20                   how proximate those changes occurred from the  
21                   phone call?

22          A       I'll say within days, but I stand to be  
23                   corrected. It happened very quickly.

24          Q       Do you draw any significance from that?

25          A       I can only assume that there may have been a

1 conversation to the minister or the minister's  
2 office about that concern which resulted in a  
3 change in the regulations.

4 Q Notwithstanding minister Coleman's comments did  
5 IPOC's investigation into the cash flowing  
6 through casinos continue in 2012 following the  
7 interview?

8 A Yes. Nothing changed.

9 Q Did anyone, whether in the RCMP or in  
10 government, ever direct you not to continue with  
11 the investigation or otherwise seek to influence  
12 the course of that or any other investigation  
13 that your unit was conducting?

14 A Absolutely not.

15 Q You indicated earlier that you had no engagement  
16 with BCLC prior to the January 2011 interview.  
17 So no engagement with BCLC in 2010 aside from  
18 the reports that you were receiving. Did that  
19 change in 2012 following the CBC interview?

20 A Yes, it did.

21 Q What can you tell the commission about that,  
22 please. What did that look like?

23 A I was contacted by Terry Callens, who asked for  
24 a meeting, and that meeting took place shortly  
25 after that.

1 Q What was that --

2 THE COMMISSIONER: Mr. Isaac, I'm sorry to interrupt.

3 I just want to make sure I'm on the same page as  
4 you. The interview took place in January of  
5 2011; is that correct?

6 MR. MARTLAND: That is correct, January 4th, 2011.

7 THE COMMISSIONER: You're asking Mr. Baxter about  
8 2012. I'm just a little confused as to the time  
9 we're dealing with here.

10 MR. ISAAC: As was I. Thank you, Mr. Commissioner.

11 Q I misspoke. Mr. Baxter, let me rephrase. After  
12 the January 4th, 2011 interview, you'd indicated  
13 that you had no engagement with BCLC in 2010.  
14 What engagement did you have with BCLC in 2011  
15 after your January 4th interview?

16 A Yeah. Shortly after that I did get the phone  
17 call from Terry Towns from BC Lottery  
18 Corporation.

19 Q And what did Mr. Towns tell you?

20 A We agreed to meet and so we sat down and had a  
21 meeting to discuss the totality of my concerns  
22 about money laundering and BCLC role within all  
23 of that.

24 Q And who was at that meeting?

25 A Terry for sure and one other, I believe, but

1                   that may have been at a second meeting. Sorry,  
2                   my recollection is at least Terry and maybe one  
3                   other meeting subsequent a couple of guys.

4           Q       And what was the purpose of those meetings and  
5                   what was discussed?

6           A       Well, initially was to create, you know,  
7                   dialogue between IPOC and BCLC where it had not  
8                   really existed on any kind of a formal basis  
9                   before and so there was robust discussion about  
10                  money laundering, how it's defined. BCLC's role  
11                  with the service providers and just an ongoing  
12                  relationship.

13          Q       You mentioned there were several meetings that  
14                   occurred. Roughly how many of these meetings  
15                   happened?

16          A       Three or four, maybe five. As and when  
17                   required, I guess, more than anything else. You  
18                   know, the initial meeting was almost, what are  
19                   you talking about; we don't see this as money  
20                   laundering. And then so there was that  
21                   discussion about the definition and our  
22                   contention that, yeah, we believe this is part  
23                   of an ongoing money laundering scheme.

24          Q       Well, tell the commission about those robust  
25                   discussions. What was communicated by you on

1                   behalf of IPOC and what was the response to that  
2                   from the BCLC representatives?

3           A       Well, the one statement that kind of took me  
4                   aback was that these people were valued patrons  
5                   and once they were inside the casino that's how  
6                   they were treated. And that if in fact we  
7                   believed that this was criminal activity, that  
8                   was a policing function. That was not a casino  
9                   function or a BC lottery responsibility. They  
10                  were valued patrons. And then there was this,  
11                  you know, a lot of them are high rollers coming  
12                  from offshore, to which I responded yeah, but  
13                  they didn't come here with \$460,000 in Canadian  
14                  20s. They got that money somewhere and we  
15                  believe it's from criminal activity and it's  
16                  either through loan sharks or it's through  
17                  organized crime groups. But the casinos were  
18                  being used to launder money.

19          Q       And what was the response from the BCLC  
20                   representatives to that point, that your  
21                   concerns about the criminal origin of the money?

22          A       They didn't agree. And that was kind of the  
23                   standard response to cite, you know, very good  
24                   discussion was yeah, we just don't agree with  
25                   you, and at one point the statement was made and

1                   neither does the minister.

2                   Q     So BCLC officials cited the comments of Minister  
3                   Coleman to support their position?

4                   A     Again, I'm going on memory from ten, 12 years  
5                   ago, but it was sort of along, and the ministry  
6                   doesn't agree either, and so now you have a  
7                   Crown corporation reporting to the ministry  
8                   whose kind of overall direction is we don't  
9                   think this is money laundering. And so that was  
10                  kind of what was being stated by Terry Towns and  
11                  others.

12                  Q     Did the BCLC officials indicate why they said  
13                  they did not believe that the origins of the  
14                  money were criminal? Did they provide anything  
15                  specific for why that could not be the case?

16                  A     Just, you know, these are businessmen. These  
17                  are wealthy people coming from Hong Kong and  
18                  Macao and this is how they do it. They travel  
19                  around the world gambling. And how they get  
20                  their money to Canada was not a concern of  
21                  theirs. And more than once I heard, they're a  
22                  valued patron. I saw one video where a patron,  
23                  a known high end, arrived, took the bags of what  
24                  turned out to be \$10,000 bricks into the casino  
25                  but he was met at the door by casino security

1                   and escorted on the video to cash cage. So one,  
2                   they knew he was coming, I believe. And two, he  
3                   was treated like a VIP once he got in there.

4           Q        So you've indicated that the BCLC officials did  
5                   not share your and your investigators' view that  
6                   this was money laundering that was occurring.  
7                   What about any sort of concrete actions or  
8                   proposals for how to address the concerns? Was  
9                   there anything specific discussed around that or  
10                  any sort of commitments about how -- whether  
11                  they agreed with them or not, your concerns  
12                  might be addressed?

13          A        Yeah, there was discussion about the differences  
14                   between suspicious reports and large reports and  
15                   again that inference is look, the guy has been  
16                   here three or four times; first time, yeah,  
17                   suspicious; now we know who he is; it's just  
18                   another large cash transaction, so we don't see  
19                   that as suspicious at all and we certainly don't  
20                   see it as money laundering. I mean, that was  
21                   the common theme.

22          Q        Did these meetings with BCLC in 2011, did they  
23                   result in any changes to how the casinos were  
24                   operating or how reports were made or anything  
25                   else that -- well, anything else? Was there any

1                   actual concrete changes that were made as a  
2                   result of these meetings?

3           A       Nothing substantive that I recall. I know that  
4                   as we continued to track the amount of money  
5                   going into the casinos, nothing changed. It  
6                   just kept accumulating and accumulating. In my  
7                   meetings with GPEB and GPEB senior managers like  
8                   Larry Vander Graaf we had discussed okay, how  
9                   can we prevent this; can we through GPEB go to  
10                  BCLC and the casinos for training, for  
11                  awareness, for robust reporting, for checking on  
12                  the veracity of the information? And again, I  
13                  didn't have those discussions with BCLC because  
14                  it was not the RCMP IPOC role to try to  
15                  influence how BCLC as a Crown corporation  
16                  conducted business. I did that through GPEB.  
17                  And that was one of the steps that we took in  
18                  addition to investigations. We were just, how  
19                  can this be happening and is it possible for  
20                  this to be more closely monitored? And I know  
21                  one of the responses was, if we make it more  
22                  give for that high-end gambler, whether it's an  
23                  international person or a local person, they are  
24                  just going to go to the competitor, so we're not  
25                  going to do that.



1                    counterparts about what was going on up here in  
2                    Vancouver. The emergence of cooperation between  
3                    the organized crime groups, the traditional, the  
4                    outlaw motorcycle, the Asians, the Persians.  
5                    They were all together. And again with my  
6                    experience criminal activity generates a large  
7                    amount of cash that they have to do something  
8                    with, and what we had here occurring in my  
9                    opinion was casinos were the venue that large  
10                   amounts of cash could be moved. And that's what  
11                   they were doing.

12                Q                And you referred to or made reference to a  
13                   convergence of different organized crime groups.  
14                   The commission has heard some evidence in  
15                   particular from one of the inspectors who was  
16                   involved, investigators who was involved in this  
17                   investigation about what was believed to be a  
18                   convergence of different organized crime  
19                   networks. Was it your belief and understanding  
20                   that what was appearing to happen through the  
21                   casinos was a reflection of part of that  
22                   convergence with organized crime? What can you  
23                   tell the Commissioner about that?

24                A                Yeah, the convergence of those organized crime  
25                   groups was one of convenience. Again they

1                   generate cash, what do you do with it? And  
2                   given the Asian gambling scenario that was  
3                   taking place, it would not take a huge leap to  
4                   think that Asian organized crime was acting as a  
5                   depository for outlaw motorcycle groups and the  
6                   Persians and others. Okay, we can move your  
7                   cash, and then either through loan sharks or  
8                   through direct dealing with these high-end  
9                   gamblers, again, some international, some local,  
10                  that that's where the cash was being moved. And  
11                  I personally think it was the Asian groups that  
12                  were the facilitators for the other ones as the  
13                  bulk deposit area. And everybody got their  
14                  money back, or portions thereof.

15                Q    You say you personally feel. Is that based on  
16                    the intelligence and other information that you  
17                    were seeing from your perspective as the officer  
18                    in charge of IPOC at this time?

19                A    Yeah, based on my experience. I've been around  
20                    drug, drug trafficking, proceeds and economic  
21                    crime for over 22 years. Again, I didn't want  
22                    to be over opinionated, just that was my  
23                    opinion. That's my conclusion.

24                Q    And I'd like to take you forward. This takes us  
25                    into 2012. In 2012 you are still the officer in

1 charge of IPOC. The commission has heard  
2 evidence that as part of the re-engineering of  
3 federal policing in 2012 and 2013, the IPOC  
4 initiative along with other specialized units  
5 were disbanded. As part of your role as the  
6 officer in charge of IPOC, did you oversee the  
7 closing of your unit and its transition to the  
8 FSOC model?

9 A Yes. Once the decision was made that federal  
10 policing would be re-engineered at the direction  
11 of federal policing in Ottawa, then there had to  
12 be a mechanism to begin to do that. And there  
13 was lots of discussion about what federal  
14 policing entities would remain as they were and  
15 what other ones would get rolled up into a  
16 generalist large team approach rather than silos  
17 of special units. And I was a part of some of  
18 the discussions and ultimately in my role as I  
19 was moved to FSOC, operation support group was  
20 tasked with populating the teams and shutting  
21 down units, if you will.

22 Q Earlier this morning we looked at the review of  
23 the IPOC initiative. I took you to a portion of  
24 that document that referred to the support for  
25 the continuation of IPOC that those involved in

1                   it shared. And you indicated that that's  
2                   consistent with your feelings about the  
3                   initiative.

4                   Was the disbandment of IPOC something that  
5                   raised concerns for you and raised concerns for  
6                   your colleagues in the initiative?

7           A       Yes, we had had some meetings in Ottawa about  
8                   the federal re-engineering and some IPOC  
9                   meetings during which again with senior  
10                  managers, senior leaders, there was robust  
11                  discussion and, you know, some of the concerns  
12                  being raised by all of us as OICs of IPOC units  
13                  were, one, that the funding aspect, the  
14                  specialization, the expert witness program, the  
15                  international commitments under the United  
16                  Nations where Canada had signed on to do certain  
17                  things under the Financial Action Task Force,  
18                  the FATF, and our concerns myself included was  
19                  we have these obligations. Who's going to look  
20                  after this? Where are we going to go with this?  
21                  And again it was all discussions and they were  
22                  difficult decisions, I know, by the senior  
23                  leaders of the day, and the decision was made  
24                  that IPOC would be disbanded, and that was the  
25                  end of it. We voiced concerns and I said boy,

1                   this I think is going to come back and bite us.  
2                   Canada had played a leading role in that UN  
3                   resolution where we were monitoring and  
4                   evaluating other countries' money laundering  
5                   regimes and banking industries and here we were  
6                   shutting down the very people who were a part of  
7                   that process, myself included.

8           Q       Were the concerns that you had ones that were  
9                   shared by your colleagues, the officers in  
10                  charge of the other IPOC units across the  
11                  country?

12          A       Yes, we all said this is really going to come  
13                  back and bite us.

14          Q       I'd like to -- what happened -- just focusing on  
15                  what actually the re-engineering looked like  
16                  from sort of your front row seats to it. What  
17                  happened to the experienced stable of money  
18                  laundering investigators that were in your unit  
19                  at that time, including the members of the C22  
20                  money laundering team with the re-engineering?

21          A       They were dispersed across six investigative  
22                  teams, large teams led my inspectors.

23          Q       What was the impact of that in your view?

24          A       Well, part of the discussion was the thought  
25                  process that okay, you have these people who are

1 experts. Some in that expert witness program.  
2 You have this expertise. If we place it across  
3 a number of teams, they bring that expertise to  
4 the team and everybody will benefit from that  
5 expertise. And that was the approach and that's  
6 the way it rolled out.

7 Q Is that the way it worked out, in your view?

8 A In my view, I think it diluted that expertise  
9 and based on the way that files were then  
10 assigned to those teams based on a rating system  
11 money laundering kind of didn't rate as high as  
12 some of the other types of investigations. And  
13 then ultimately federal policing became,  
14 rightfully so, very much concerned with national  
15 security and terrorism.

16 Q I think you're referring there to federal  
17 tiering. How did federal tiering and the  
18 prioritization of projects work in FSOC and how  
19 did that compare to how it had worked with  
20 respect to money laundering files in particular  
21 under the IPOC model?

22 A Well, again under the IPOC model a file from  
23 drug section could be referred for assistance or  
24 parallel investigation. Under the FSOC model,  
25 if a file received approval to go forward and it

1                   was a scaleable proofing system on a new form  
2                   that was developed, if it scored high enough a  
3                   team would be assigned to it. If there was a  
4                   money laundering component, there was not an  
5                   entity to refer the parallel investigation to.  
6                   There may have been a person previously in IPOC  
7                   on that team, but the expertise wasn't there to  
8                   carry on with, like I say, sometimes very  
9                   complicated investigations requiring MLATs and  
10                  international partnerships and that type of  
11                  thing. It just wasn't there. Simple as that.

12                Q    Was the disbandment of your IPOC unit, was it  
13                    something that happened all on one day, one day  
14                    the team is gone, or was it something that  
15                    occurred over a period of time in 2012?

16                A    It actually rolled out kind of late 2012,  
17                    certainly early 2013. The process for staffing  
18                    those investigative teams was through, you know,  
19                    2012 because it's a huge complex undertaking  
20                    because what you're doing is taking all of these  
21                    entities that were their own silo for staffing  
22                    and what we call classification of job  
23                    description, who reported to who, and to totally  
24                    restart that was an area that I ultimately was  
25                    responsible for and it is a huge undertaking, at

1           the same time when investigations are still  
2           ongoing, but all of these people got commingled  
3           and, you know, subject A used to report to  
4           subject B, but subject B is now over on an  
5           entirely different team and yet in the internal  
6           system that approved annual leave or anything  
7           like that, the link was gone. It had to be  
8           recreated. So it was a huge undertaking in that  
9           operational support group.

10          Q     When did you move over to FSOC yourself?

11          A     First week of January 2013 I was formally the  
12                OIC of the operation support group within FSOC.  
13                No longer on an operational team capacity. I  
14                was in charge of the support mechanism for FSOC  
15                investigations and my unit contained the intake  
16                unit, the intelligence unit, administration and  
17                procurement, covert operation support. I had  
18                the person who was collating the STRs and the  
19                LCTRs still under my command. The civil  
20                forfeiture liaison. So all of those entities  
21                that supported operations and I also was the  
22                "E" Division protective policing officer, so I  
23                was responsible for the VIP section and the  
24                Canadian air carrier program for  
25                British Columbia.

1           Q     You described how as IPOC was disbanded  
2                    investigations that were underway, you know,  
3                    moved into the reconstituted FSOC that they  
4                    would go through a sort of a -- they were  
5                    subject to a tiering process. Is that right?

6           A     Yes.

7           Q     Then they would be measured against all of the  
8                    other priorities and other investigations that  
9                    were then ongoing?

10          A     Yes.

11          Q     I'd like to turn back to the status of the  
12                    casino investigation when IPOC was disbanded.  
13                    Up to the time of the disbandment of IPOC was  
14                    the casino investigation still an active ongoing  
15                    investigation?

16          A     Yes, it was.

17          Q     Was it still at that point the most significant  
18                    money laundering investigation that IPOC had  
19                    going at that time?

20          A     Yes, it was.

21          Q     In terms of the investigation status at that  
22                    point was it still focused on trying to trace  
23                    the suspected couriers bringing quantities of  
24                    cash into and around casinos back to try to  
25                    ascertain the ultimate source of that cash and

1                   whether there was a predicate offence that could  
2                   be proven?

3           A       Yes, that was their investigative approach.

4           Q       By that point had it presented the  
5                   investigation, had it presented any specific  
6                   opportunities for disruption or charge, the  
7                   laying of charges at that point?

8           A       Not at that point, no.

9           Q       Had it exhausted its available investigative  
10                  avenues at that point, or was it continuing to  
11                  generate potentially promising leads and  
12                  opportunities for further surveillance,  
13                  investigation and followup?

14          A       No, it was still ongoing and in fact they had --  
15                  "they being the C22 team had generated what's  
16                  called an operational report, an ops plan in  
17                  order to create a more robust undertaking by  
18                  engaging Criminal Intelligence Service and  
19                  things of that nature. So it was an ongoing  
20                  investigation at that time.

21          Q       Was the suspected cash couriers, were they  
22                  continuing to be observed by GPEB and your  
23                  investigators delivering large volumes of bulk  
24                  cash into and around casinos at that point, or  
25                  had it trailed off?

1           A     It was still ongoing and it was still  
2                    information coming from GPEB. I recall at one  
3                    point even that they were reporting to us that  
4                    it appeared that money launderers or runners  
5                    were actually in a hotel room near a casino or  
6                    in a casino, so it was almost an onsite  
7                    operation.

8           Q     Were you continuing to receive intelligence from  
9                    FINTRAC relating to suspected money laundering  
10                   in the casino?

11          A     Yes. Yes, very good relationship with FINTRAC,  
12                   ongoing intelligence being received. And again,  
13                   it becomes a capacity issue. Like I said  
14                   earlier, I mean, IPOC on paper 41 personnel, but  
15                   there's a huge difference between established  
16                   strength and actual strength because of  
17                   maternity leave or paternity leave or sickness  
18                   or that kind of thing. So the capacity to do a  
19                   lot of these things and resourcing was just a  
20                   reality. It wasn't there.

21          Q     But in your view were there continuing to be  
22                   opportunities for advancing the investigation?

23          A     Sure. Had we not re-engineered federal policing  
24                   and IPOC remained the same, that would have been  
25                   a priority investigation.

1           Q     Appreciating the investigation was ongoing, and  
2                    I'm not speaking here of a criminal standard  
3                    necessary to lay charges, but had the  
4                    intelligence, the patterns, the indicators,  
5                    everything that had been observed by you and  
6                    your investigators through the course of the  
7                    investigation up to this point, did those tend  
8                    to weaken or strengthen your and your  
9                    investigators' suspicion that the origins of the  
10                  cash moving through casinos was criminal?

11          A     It strengthened it.  If anything the volume was  
12                  increasing.

13          Q     And what was at this point the missing link, if  
14                  I can put it that way, that the investigation  
15                  had yet to be able to establish?

16          A     Well, again, you know, in order to conduct the  
17                  criminal side of the investigation, you got to  
18                  prove knowledge.  You got to prove intent.  You  
19                  have to show the source of funds.  And those  
20                  were hurdles that were very, very difficult for  
21                  investigators to locate to a sufficient level of  
22                  beyond a reasonable doubt.  Like, there was lots  
23                  of, you know, levels of intelligence and  
24                  conclusions, but to get to that threshold, we  
25                  just weren't there yet.

1 Q To your knowledge, what happened to the casino  
2 investigation when IPOC was disbanded?

3 A So the new setup within FSOC included a  
4 mechanism to evaluate not only incoming, ongoing  
5 requests for assistance but historic  
6 investigations. And it was made up of the chief  
7 superintendent in charge of federal policing who  
8 oversaw FSOC and two superintendents. So they  
9 would evaluate what files, what score they had  
10 received on this new tiering system and then  
11 they made again those tough decisions as to what  
12 would be accepted given capacity and resourcing  
13 and finances and what we would say no to. And  
14 that ops review committee made those decisions.  
15 I wasn't in the meeting where the money  
16 laundering investigation was discussed, but it's  
17 my understanding that it was terminated.

18 Q Did you see any indication that it did continue  
19 within the FSOC era, if I could put it that way?

20 A No.

21 Q When you moved into FSOC were there any teams or  
22 specific units that were dedicated to handling  
23 proceeds and money laundering cases within FSOC?

24 A No.

25 Q Did that remain the case until you retired from

1 the RCMP in 2015?

2 A Yes.

3 Q How were potential money laundering and proceeds  
4 referrals handled and prioritized in FSOC at  
5 that time? And I think you did comment a little  
6 bit on this, but in terms of what you actually  
7 saw once you moved over to FSOC, how would  
8 those -- how were those types of referrals  
9 handled and how was that different than under  
10 IPOC?

11 A Well, again under IPOC we had a narrower focus  
12 about what we could, would or wouldn't do in  
13 terms of an investigation. Under the FSOC model  
14 now you've combined five different entities with  
15 all of the responsibilities and legislations  
16 that they had, like drug section and border  
17 integrity and commercial crime. So now it's,  
18 for lack of a better word, a competition, if you  
19 will, between all of these pressures and  
20 priorities, hence the scoring system and those  
21 requests for assistance, whether they be from US  
22 counterparts or Australia or the United Kingdom  
23 or anywhere, were weighed against all of these  
24 other pressures and priorities. And at the end  
25 of the day it was either yes or no. If --

1                   there's no sense taking on a new file every day  
2                   if you can only do one file a month. And that  
3                   was the pressure. And that was the complexity  
4                   of the re-engineering is that those entities,  
5                   Homeland Security investigations or immigrations  
6                   custom enforcement in the United States, used to  
7                   call somebody in the border integrity program.  
8                   Well, now all those people were dispersed across  
9                   these investigative teams and GPEB had the same  
10                  concern. We used to call sergeant so-and-so or  
11                  direct to me and now it's like who do we call?  
12                  And that was something that had to be worked out  
13                  over the months of the rollout of the new FSOC.  
14                  And it was complex and I would suggest somewhat  
15                  frustrating for our policing partners and our  
16                  other partners.

17                Q    In your capacity, your new capacity in FSOC,  
18                    particularly in relation to the intelligence  
19                    unit or team that you had visibility over, did  
20                    you maintain some degree of visibility over the  
21                    referrals that were coming into FSOC?

22                A    Yes, they had to go somewhere and so we brought  
23                    it into the ops support group which I was in  
24                    charge with and the temporary civilian employee  
25                    who was collating that information came there as

1 well. So he continued to receive those. You  
2 know, it had to go somewhere. So that formed  
3 part of the intelligence on an ongoing basis.  
4 You know, potentially to get to a point where  
5 you know what, this does score higher now and  
6 may well become recommended for a project to the  
7 ops committee and taken on by one of the teams.  
8 And so that was ongoing.

9 Q And you referred to GPEB in particular. In your  
10 capacity, your visibility and lines of sight  
11 within FSOC, were you aware of whether or not  
12 the RCMP continued to receive intelligence or  
13 referrals from GPEB relating to money laundering  
14 in casinos and what happened to those during  
15 this period?

16 A Well, I know they continued to call, if you  
17 will. Because I personally received calls  
18 because of our personal relationships. And most  
19 times I would refer them to Inspector Cal  
20 Chrustie, who was overseeing one of the  
21 investigative teams, just so they could talk to  
22 somebody, just so they could pass on relevant  
23 information or ongoing intelligence that they  
24 were receiving. They wanted some point of  
25 contact to continue that ability.

1           Q     And you referenced earlier this morning the sort  
2                   of network of contacts in domestic as well as  
3                   international law enforcement partners that IPOC  
4                   had cultivated over the period of its existence.  
5                   And was that something where that that was  
6                   specifically impacted by the re-engineering?  
7                   Particularly when it comes to the sorts of  
8                   partners that IPOC would have been the first  
9                   point of contact for referrals, inquiries? Was  
10                  that something that changed and was affected by  
11                  the re-engineering?

12           A     It was absolutely affected by the re-engineering  
13                   because those individual or formal contacts were  
14                   no longer in the positions that they were before  
15                   re-engineering. So if you called sergeant  
16                   so-and-so, well, sorry, I'm on team 5 now and I  
17                   don't do that anymore. So there was that in  
18                   limbo for quite a while within all of our  
19                   policing partners locally, nationally and  
20                   internationally.

21           Q     Within the prioritization model that FSOC had as  
22                   opposed to IPOC, were there attributes of money  
23                   laundering investigations in particular, whether  
24                   it was the complexity of the investigation, the  
25                   length of them or anything else inherent in

1 money laundering investigations that placed them  
2 at a disadvantage when measured against other  
3 types of investigations?

4 A Well, again, that new format for scoring a file,  
5 if you will, I think that those types of  
6 investigations were at a bit of a disadvantage  
7 to come up with a final score, whether it's 60  
8 or 70, because you're competing against files  
9 that have 80s and 90s and there's a whole set of  
10 criteria that is a little bit subjective, but  
11 the bottom line is it comes up with a score.  
12 And so if you've got five files and four of them  
13 are 90s and you get a money laundering file  
14 that's a 70, the ops committee is, you know,  
15 unfortunately going to have to say, we can't do  
16 that. We don't have the capacity.

17 Q And in terms of that scoring system, if you're  
18 looking at a money laundering investigation  
19 which might -- we've heard some evidence about  
20 the complexity, the amount of resources, front  
21 end resources that are required, the challenges  
22 in terms of developing evidence required to lay  
23 money laundering charges and some of the other  
24 challenges around that, were those features that  
25 were likely to result in a lower score as part

1 of that tiering matrix in your knowledge and  
2 opinion?

3 A Yeah, it did. I mean, it scored lower. I know  
4 they did.

5 Q What is your assessment of the impact of the  
6 disbandment of IPOC on the investigation and  
7 prosecution of money laundering in  
8 British Columbia?

9 A Well, it's definitely been impacted. In terms  
10 of where those types of investigations may sit  
11 on a priority list, I'll suggest that it's lower  
12 given the federal policing focus now on more  
13 substantive national security and terrorism.  
14 The pressures and priorities as established both  
15 in Ottawa for federal policing and within  
16 "E" Division British Columbia, there's just been  
17 a significant impact on the ability, the  
18 expertise to conduct money laundering  
19 investigations, in my opinion.

20 Q I'd like to turn based on your experience, both  
21 your many years of proceeds and money laundering  
22 and financial crime investigative experience, as  
23 well as specifically your experience based on  
24 your role leading the investigation into the  
25 flow of what you believe to be criminal funds

1 through casinos in 2012 to 2013 and some  
2 takeaways that you might have in that regard.  
3 You referred to GPEB's role in both the early  
4 and latter stages of the investigation. In your  
5 opinion was there more that GPEB could or should  
6 have done whether they were interviewing patrons  
7 or doing more than what they were doing? What's  
8 your assessment of that, Mr. Baxter?

9 A I think they were doing as well as they could  
10 with the parameters, limitation that they had  
11 and the support that they had. They're an  
12 investigative body, but they can't lay criminal  
13 charges, so they work hard to develop what they  
14 believe is actionable intelligence and data and  
15 then they reach out, in our case to IPOC, to  
16 potentially conduct a criminal investigation.  
17 So I don't know that they could have done much  
18 more. They were forthcoming with surveillance  
19 video, with the Section 86 Reports, with the  
20 intelligence that they were receiving and  
21 collating and passing it on to us. And, you  
22 know, we engaged to conduct that criminal  
23 investigation. And I think the GPEB  
24 investigative division was trying -- and again  
25 this is my opinion; I wasn't in any of their

1 internal meetings or anything like that -- they  
2 were trying to engage senior managers; they were  
3 trying to engage other entities within GPEB  
4 looking for support. Again my only personal --  
5 I know I keep saying that, but I don't think  
6 they were getting the support. I felt their  
7 frustration is the best way to put it.

8 Q What about BC Lottery Corporation? In your  
9 opinion was there more that could have been done  
10 by BC Lottery Corporation, and if so what?

11 A My own personal opinion is that right up until  
12 the time that I left there was not an acceptance  
13 by BCLC that in fact what was occurring was  
14 money laundering. That they were doing  
15 everything they could with an anti-money  
16 laundering regime in place, and they were.  
17 There's no doubt about it. But the ability to  
18 move those large amounts of cash into the casino  
19 remained right up until the day I left and I  
20 know it continues on -- know that it continued  
21 on and I don't know that anybody that I spoke to  
22 in BCLC saw a way to prevent -- a way or a will  
23 to prevent those large amounts of cash coming  
24 in. It's a cash-based business. The casinos  
25 run on profits and provincially those profits

1                   generate revenue for the province because  
2                   they're here and so I just don't think  
3                   personally that BCLC agreed that this was money  
4                   laundering.

5           Q       What about the RCMP employees?  What more do you  
6                   believe, if anything, they could have done?

7           A       Well, we had the mandate, we had the resources,  
8                   we had the financing.  It's just the nature of  
9                   the criminal investigation that has to be  
10                  undertaken is a very high threshold and to  
11                  proceed criminally beyond a reasonable doubt to  
12                  provide all of that evidence so that Public  
13                  Prosecution Service of Canada has that comfort  
14                  level and a reasonable expectation of conviction  
15                  in order to take on a case like that.  And it's  
16                  a very difficult undertaking currently in Canada  
17                  with all of the scrutiny that investigations are  
18                  subject to, i.e., *Stinchcombe* and disclosure and  
19                  all of those requirements, it's a very, very,  
20                  very difficult undertaking.  One, I kept saying  
21                  you're dealing with genuine currency, maybe a  
22                  bulk amount and it's just a very difficult  
23                  undertaking to get to that point in time, which  
24                  is why in many cases in my discussions with PPSC  
25                  that civil forfeiture may be an appropriate

1 approach if there's criminality because there as  
2 opposed to beyond a reasonable doubt it's a  
3 balance of probabilities and you're not naming a  
4 person where you have to show knowledge and  
5 intent. You're dealing with an entity, a hockey  
6 bag full of cash, and then there's that civil  
7 process. So it makes it very, very difficult  
8 for a criminal investigation to take place.

9 Q Well, that leads into what I think will be my  
10 last question, although I'll reserve the right  
11 to perhaps asks a few followups, Mr. Baxter.  
12 But as this commission considers what an  
13 effective response to the concerns around money  
14 laundering are, particularly with respect to  
15 policing, based on your experience working in  
16 the various models of policing that have  
17 existed, what in your view are the most  
18 important features of an effective investigative  
19 unit that would be able to make a real dent and  
20 make progress with respect to money laundering?  
21 What are the key features from the sum total of  
22 your experience that you would identify as most  
23 important?

24 A Oh, that's a tough one.

25 Q That's why I saved it for the last question,

1 Mr. Baxter.

2 A Well, really at the end of the day it's probably  
3 a tripod because if the ultimate goal is laying  
4 criminal charges there has to be a criminal  
5 charge where the threshold can be more readily  
6 met than it currently is. The legislation, in  
7 my humble opinion given *Stinchcombe* and all  
8 those kinds of things, is a little bit too steep  
9 a hill I think for investigations. The  
10 expertise has to be there. It's not an easy  
11 investigation. Lots of hurdles and there has to  
12 be a collaboration between policing corporate  
13 and legislative. So that's just my humble  
14 opinion.

15 Q Would the integrated approach be one that you  
16 think would be an important way to bring  
17 together the skills and perspectives necessary  
18 to do that effectively? Something more similar  
19 to what existed under IPOC?

20 A Certainly. You know, that was what began IPOC  
21 way back. There was a development of a program,  
22 what they thought was necessary to do it. There  
23 were submissions to the federal government to  
24 treasury board, there was a mechanism rolled  
25 out, and that began the IPOC program. And so

1                   it's -- that's the way to go about it. Where  
2                   it's housed or how it's mandated is one aspect  
3                   to it. And again the other is the legislative,  
4                   the ability. I mean, there's no sense spending  
5                   1, 2, 3 years conducting investigation if there  
6                   can't be a conviction at the end of the day  
7                   because the hill to climb to get to that beyond  
8                   a reasonable doubt is not attainable.

9                   Q     Let me -- this is the last question. If you  
10                   were to, given the kinds of money laundering  
11                   cases you've seen, the demands that are involved  
12                   in those, the pressures of *Jordan* and  
13                   *Stinchcombe*, how many investigators would you  
14                   want to have and at your disposal and what would  
15                   that mean? I mean, I appreciate vacancies  
16                   change over time, but what would an effective  
17                   size of a money laundering unit look like based  
18                   on your experience and how large would that need  
19                   to be to be able to address the files that you  
20                   saw -- even the ones that didn't make it on to  
21                   the cutting -- didn't make it past the cutting  
22                   room floor but that were nonetheless otherwise  
23                   promising files, what can you tell the  
24                   Commissioner about that, please?

25                   A     Well, I never felt that the five-person unit

1                   within "E" Division IPOC was adequate or  
2                   sufficient. I think those numbers have to be  
3                   somewhere up around 10 or 12 people because  
4                   there are always vacancies. That's just a  
5                   resourcing issue that plagues every manager. So  
6                   there's always going to be people away. You  
7                   have to have that capacity to do it. And then  
8                   that unit has to be supported by other  
9                   specialized units. You know, one of the things  
10                  when the C22 team was doing their surveillance,  
11                  we were trying to get what within the RCMP is a  
12                  highly specialized surveillance team to assist,  
13                  but they're subject to a lot of pressures and  
14                  priorities and we never were able to get special  
15                  "O" to engage in our files. So point I'm making  
16                  is that the resourcing has to be a little bit  
17                  higher than what it was.

18                 MR. ISAAC: Thank you. Mr. Commissioner, those are  
19                  all of my questions for Mr. Baxter. I look at  
20                  the time. I think we've done an okay job of  
21                  keeping ourselves. If the estimates of  
22                  participants remain at an hour and 45 minutes  
23                  with a ten-minute break we should have enough  
24                  time to get through that. Sorry,  
25                  Mr. Commissioner, I believe you may be muted.

1 THE COMMISSIONER: Yes, somebody sent me a note  
2 saying that. Thank you. Yes, I agree with you.  
3 Are you suggesting we take ten minutes now?

4 MR. ISAAC: That would be my suggestion,  
5 Mr. Commissioner.

6 THE COMMISSIONER: Let's do that. Again I'm mindful  
7 of people behind the scenes who need a break as  
8 well. Thank you. We'll take ten minutes.

9 THE REGISTRAR: This hearing is adjourned for a  
10 ten-minute break until 12:18 p.m. Please mute  
11 your mic and turn off your video. Thank you.

12 **(WITNESS STOOD DOWN)**

13 **(PROCEEDINGS ADJOURNED AT 12:08 P.M.)**

14 **(PROCEEDINGS RECONVENED AT 12:18 P.M.)**

15 **BARRY BAXTER, for the**  
16 **commission, recalled.**

17 THE REGISTRAR: Thank you for waiting. The hearing  
18 is now resumed. Mr. Commissioner.

19 THE COMMISSIONER: Yes, thank you, Madam Registrar.  
20 Yes, I'll call on Ms. Friesen on behalf of the  
21 province, who has been allocated 15 minutes.

22 MS. FRIESEN: Thank you, Mr. Commissioner.

23 **EXAMINATION BY MS. FRIESEN:**

24 Q Hello, Mr. Baxter. Can you hear me all right?

25 A Yes, I can.

1           Q     Great. I understand you were the officer in  
2                   charge of IPOC from 2010 to roughly 2013; is  
3                   that right?

4           A     Correct.

5           Q     And you were the officer in that role who had  
6                   overall command of that unit, you maintained and  
7                   monitored all the investigations?

8           A     Yes.

9           Q     Okay. And in your evidence you state that in  
10                  2010, in the fall of 2010 you directed IPOC C22  
11                  team to undertake an investigation of potential  
12                  money laundering in BC casinos. You've given  
13                  that evidence here today?

14          A     Yes.

15          Q     And I was wondering if you could please provide  
16                  some further details regarding this  
17                  investigation into the potential money  
18                  laundering in casinos. How many IPOC members  
19                  were engaged in the investigation?

20          A     The team itself was five, but occasionally they  
21                  were augmented by additional IPOC members. So  
22                  sometimes during surveillance there might have  
23                  been 8 or 10 or even as many as 12 personnel  
24                  involved.

25          Q     That was from time to time that these additional

1 people were engaged?

2 A Yes.

3 Q Okay. And for the sort of -- were the five team  
4 members that were engaged, were they the core  
5 group, would you say?

6 A Yes, that was the C22 or money laundering team.  
7 They were the five full-time employees that were  
8 allocated to "E" Division IPOC when the rollout  
9 of the money laundering teams across Canada came  
10 about.

11 Q And this team, how often were they engaged in  
12 this file?

13 A That was their primary file. Along with other  
14 primary duties which I mentioned earlier with  
15 response to the ports of entry with CBSA and  
16 other calls for assistance.

17 Q So they didn't devote their full time to this  
18 particular file?

19 A Not 100 percent, no.

20 Q Did the investigation -- with respect to the  
21 details of the investigation, did it develop  
22 an operational plan?

23 A It did. In 2012 an operational plan was  
24 drafted. However, it did not ultimately get  
25 forwarded through for a project status file.

1 Q Okay. And we may get back to that, but just  
2 getting back to some further details about the  
3 actual investigation, did you ever conduct an  
4 intelligence probe?

5 A The intelligence probe was done by the C22 team  
6 based on all of the information that we had from  
7 the STRs, the large cash transactions, the  
8 FINTRAC report, the Section 86 Reports from  
9 GPEB, that all forms part and parcel of what's  
10 generally called an intelligence  
11 gathering/intelligence probe.

12 Q Okay. And to a great extent you relied on  
13 external information from GPEB or FINTRAC for  
14 that?

15 A Yes. And the STRs that we were receiving  
16 through BCLC.

17 Q Thank you. And did you execute any search  
18 warrants?

19 A No.

20 Q Did you use any wiretaps as part of that  
21 investigation?

22 A No.

23 Q Did you conduct any interviews?

24 A Did I? No.

25 Q Your team, your C22 team?

1           A     No, they would meet with the GPEB investigators,  
2                     but interviewing of individual citizens, no.

3           Q     Now, you have given evidence that sometime after  
4                     January 2011 you met with BCLC officials,  
5                     including Terry Towns and one other official.  
6                     Do you recall giving that evidence?

7           A     Yes.

8           Q     And you gave evidence that BCLC's -- the reps  
9                     that you met with, Mr. Towns and the other  
10                    individual that you couldn't remember, expressed  
11                    that they did not believe that the large sums of  
12                    cash was money laundering coming through  
13                    casinos, was necessarily money laundering, and  
14                    that they said the ministry didn't think so  
15                    either. Do you recall giving that evidence?

16          A     Yes.

17          Q     I believe it was your evidence that this  
18                    statement from BCLC was in response to or  
19                    garnered from media reporting; is that fair?

20          A     That formed part of it, yes.

21          Q     But you were not present for any conversations  
22                    between Mr. Towns or another BCLC representative  
23                    and members of the ministry?

24          A     Oh, no, not at all, no.

25          Q     Again just with respect to those meetings with

1 BCLC representatives, you gave evidence that  
2 these officials expressed the view that the  
3 large cash buy-ins were being made by high-end  
4 international gamblers who were valued patrons.  
5 Is that what they told you?

6 A Yes.

7 Q They also mentioned that they thought that part  
8 of their assessment, what weighed into their  
9 assessment was that the casinos were in  
10 compliance with FINTRAC reporting?

11 A Yes.

12 Q And they also stated that they just didn't  
13 necessarily think that this was money  
14 laundering, these large bundles of cash coming  
15 in?

16 A Correct.

17 Q And did this information from BCLC inform your  
18 investigation into potential money laundering in  
19 BC casinos?

20 A Did it what?

21 Q Did it inform your investigation into potential  
22 money laundering in BC casinos?

23 A I'm not sure what you mean by "inform."

24 Q Did it impact, did it change the way you  
25 approached your investigation or you or your

1 team?

2 A No, not at all.

3 Q I want to refer you to a document, Mr. Baxter.

4 Madam Registrar, could we have document number

5 CAN-001274. Mr. Baxter, do you recognizes this

6 document?

7 A Yes, that was that draft operational plan that I

8 referred to earlier.

9 Q Okay. That is what I thought. So it's entitled

10 "Investigational Planning and Report." What is

11 the purpose, can you describe the purpose of

12 this document?

13 A That is to get approval for a major level

14 investigation that requires resourcing and

15 financing.

16 Q And I note that -- so it's your evidence that it

17 was ultimately never submitted for approval?

18 A Correct. It never was submitted and receive

19 what we call a project. For example, project

20 E-profit or something like that. So this never

21 got to that stage. The investigative type if

22 you look at C there is intelligence probe and

23 that's what they were going to do.

24 Q Okay. I just see it as making a note of some of

25 the individuals who are referenced on this

1 document on page 1. If you look at page 1  
2 there. Cal Chrustie, he's listed as the  
3 monitoring officer. Can you describe the  
4 responsibilities of the monitoring officer?

5 A Yeah. He would be -- he was my operations  
6 officer within IPOC. So he would be responsible  
7 for oversight, general oversight of this  
8 investigation, this format of investigation laid  
9 out on who was going to be involved and how they  
10 were going to go about it. So he would monitor  
11 it.

12 Q Okay. Then Melanie Paddon on that same  
13 page beside his name, Melanie Paddon is listed  
14 as the project or target team lead. What are  
15 her responsibilities in that role?

16 A She would -- like, just below Cal Chrustie and  
17 just oversee how the investigation was going  
18 before it got to the officer level, if you will,  
19 the inspector level.

20 Q Okay. And we see other names here. Do you see  
21 below their names, we see other names. There's  
22 the primary investigator Corporal Dave  
23 Armstrong. Do you see that there?

24 A Yeah.

25 Q Did I read that correctly?

1 A Yeah.

2 Q And then the team commander over to the right,  
3 the team commander Sergeant Diane Doyle. Did I  
4 read that correctly?

5 A Yes, she was in the sergeant in charge of the  
6 money laundering team.

7 Q Okay. And now, this investigational planning  
8 and report is dated January 30, 2012. Am I  
9 right in my understanding that it took almost a  
10 year and a half before that report was produced  
11 since you directed the investigation?

12 A Yes.

13 Q Okay. Now, Mr. Baxter -- thank you, Madam  
14 Registrar, I no longer need the document.

15 Now, Mr. Baxter, I understand you oversaw  
16 the closing of the IPOC unit in the transition  
17 to FSOC; is that correct?

18 A Yes.

19 Q And you were with FSOC for two years prior to  
20 retirement?

21 A Yes.

22 Q And I understand that Cal Chrustie also  
23 transitioned from IPOC to FSOC; is that correct?

24 A Yes, he became one of the team leaders of one of  
25 the six investigative megateams.

1 Q Which team was that?

2 A I'm going to say -- I'm not sure. 3, 4 or 5.

3 One of those teams. I can't remember.

4 Q Okay. That's no problem. Thank you. Now,  
5 Melanie Paddon, did she also transition from  
6 IPOC to FSOC?

7 A Yes.

8 Q And did Sergeant Diane Doyle also transition  
9 from IPOC to FSOC?

10 A She may have been there for a short period of  
11 time and then she moved into a lateral position  
12 within the office of the commanding officer.

13 Q Okay. And what about Dave Armstrong, did he  
14 transition from IPOC to FSOC?

15 A Yes, he did.

16 Q And now in your evidence you say that all the  
17 files in the transition were either transitioned  
18 to general teams within FSOC or they concluded  
19 based on a tiering scoring system. Did I state  
20 that accurately?

21 A Yes.

22 Q And you made reference to a committee that  
23 determined the tiering scoring system; is that  
24 right?

25 A Yes. The chief superintendent, the two

1                   superintendents overseeing the six teams would  
2                   sit down and look at all the files and how they  
3                   scored and determine carry on, conclude or open  
4                   a new one.

5           Q       Now with respect to the investigation into money  
6                   laundering in casinos that you referenced here  
7                   today, the one that you directed in 2010, did  
8                   you take any steps to advocate for it to be  
9                   carried on at FSOC?

10          A       No, I wasn't part of the operations review  
11                   committee at all. I informally may have said  
12                   this is important because, as I said earlier,  
13                   within my operations support group, which now  
14                   I'm an administrator not an operational  
15                   commander, I retained the person doing the STR  
16                   input and FINTRAC input and that type of thing.  
17                   So informally I may have said listen, this is  
18                   still very, very important, but I had no  
19                   decision-making in whether it was carried on or  
20                   not.

21          Q       Okay. So you didn't take any formal steps to  
22                   communicate?

23          A       No, it wasn't my role.

24          Q       And did you followup with anyone regarding why  
25                   the largest money laundering file that IPOC was

1 handling was not continued?

2 A Not my role.

3 Q Now, during your tenure --

4 A Sorry, I'm going to say not my new role. I was  
5 administration, not operations anymore.

6 Q Right. During your tenure at IPOC did IPOC lay  
7 any charges with respect to proceeds of crime or  
8 money laundering?

9 A Yes. There were a lot of charges laid under the  
10 proceeds of crime. Money laundering, I don't  
11 believe in the time I was there any were  
12 formally laid.

13 Q And with respect to convictions, I take it then  
14 there were no money laundering convictions  
15 during your tenure, then, given there were no  
16 money laundering charges laid. Is that  
17 accurate?

18 A Correct.

19 Q Okay. What about with respect to proceeds of  
20 crime?

21 A The proceeds of crime charges that were laid,  
22 and again I'm going ten years of memory here,  
23 are parallel to the substantive or predicate  
24 offence, and if a conviction -- this is my  
25 recollection -- if a conviction was registered

1 say for a drug trafficking charge or conspiracy  
2 or whatever, many of the times rather than  
3 continue with a prosecution for the proceeds  
4 aspect it would be referred to civil forfeiture.

5 Q So during your tenure with IPOC to your  
6 knowledge were there any convictions then with  
7 respect to proceeds of crime without referencing  
8 the referrals to civil forfeiture?

9 A I don't recall any.

10 Q Now, as I understand your evidence you have  
11 22 years approximately of work with the RCMP and  
12 that was spent with policing, federal policing  
13 focused on economic crime and proceeds of crime  
14 investigations; is that right?

15 A Yeah, 22 of my almost 35 years in the RCMP.

16 Q Thank you. And during that period how many  
17 charges did you lay with respect to proceeds of  
18 time or money laundering?

19 A Me personally?

20 Q Correct.

21 A Well, charge approval is Public Prosecution  
22 Service of Canada, so I didn't lay any charges.  
23 Did I recommend any charges during that time  
24 period? Yeah. I was on drug sections and we  
25 laid a lot of charges, recommended a lot of

1 charges, convictions, both through covert  
2 operations and that type of thing, so, yeah.  
3 Spent a lot of time in court.

4 Q Thank you. So just to clarify, you recommended  
5 a lot of charges with respect to money  
6 laundering files?

7 A No, not money laundering. The drug charges and  
8 the resultant charges that ended up in  
9 forfeitures of assets and that type of thing.

10 Q Okay. And moving on, I think we know the  
11 answer to this, Mr. Baxter, but I take it you  
12 have never worked for GPEB?

13 A No.

14 Q The Gaming Policy Enforcement Branch?

15 A No.

16 Q In your evidence you describe that you got the  
17 impression from GPEB investigators that they  
18 weren't getting support. Do you recall giving  
19 that evidence?

20 A Yes.

21 Q And that was an impression that you received,  
22 but you were not present for any direct  
23 conversations between GPEB investigations  
24 division and representatives from senior  
25 management at GPEB or with the ministry

1 responsible for gaming?

2 A Correct, I was never in any of those meetings.  
3 When I said that was my opinion, I just felt  
4 they were frustrated at a lack of support from  
5 higher up. Again that's just my own personal  
6 opinion.

7 Q Thank you. Just looking at my notes here. I  
8 think just with respect to you gave some  
9 evidence with respect to GPEB investigators and  
10 that they had some restrictions. They could not  
11 lay charges, for example.

12 A Correct. They cannot lay criminal charges.  
13 They cannot recommend them. They're not -- they  
14 don't have that authority.

15 Q Right. And that's because they are not sworn  
16 police officers that are special provincial  
17 constables; is that correct? Is that your  
18 understanding?

19 A Yes, they have peace officer status, but that's  
20 as far as it goes. They don't carry firearms or  
21 anything like that.

22 MS. FRIESEN: Thank you, Mr. Baxter. Those are my  
23 questions.

24 THE COMMISSIONER: Thank you, Ms. Friesen. I'll now  
25 turn to Ms. Gardner on behalf of Canada, who has

1                   been allocated ten minutes.

2           MS. GARDNER: Thank you, Mr. Commissioner. Based on  
3           evidence that has come out during questioning so  
4           far we have no questions at this time.

5           THE COMMISSIONER: Thank you, Ms. Gardner. I'll now  
6           turn to Mr. Smart on behalf of the BC Lottery  
7           Corporation, who has been allocated 20 minutes.

8           MR. SMART: Thank you.

9           **EXAMINATION BY MR. SMART:**

10          Q     Mr. Baxter, you gave evidence that GPEB cannot  
11           lay -- investigators cannot recommend criminal  
12           charges even in connection with gaming  
13           activities. Is that your evidence?

14          A     Those -- my understanding is that those would be  
15           under the regulations, not under the *Criminal*  
16           Code.

17          Q     Where did you gain that understanding from?  
18           From GPEB members?

19          A     No. I don't recall specifically being told they  
20           couldn't. That's just my understanding and I  
21           stand to be corrected.

22          MR. SMART: Okay. Mr. Commissioner, two days ago I  
23           gave notice I'd like to refer Mr. Baxter to the  
24           Kroeker report, exhibit 141. So I need to seek  
25           leave from you to do that, so I'm making that

1 application now.

2 THE COMMISSIONER: All right. I think again,  
3 Mr. Smart, it's probably helpful if I seek from  
4 all the participants whether or not they have  
5 any objections. I'll start with Mr. Isaac.

6 MR. ISAAC: We have no objections and I can advise  
7 that Mr. Baxter has been provided a copy of the  
8 document as well in advance of the hearing.

9 THE COMMISSIONER: All right. Thank you. And,  
10 Ms. Friesen, any objection?

11 MS. FRIESEN: None, Mr. Commissioner. Thank you.

12 THE COMMISSIONER: Ms. Gardner?

13 MS. GARDNER: No objection, thank you,  
14 Mr. Commissioner.

15 THE COMMISSIONER: Thank you. Mr. Skwarok?

16 MR. SKWAROK: No, sir.

17 THE COMMISSIONER: Ms. Bevan?

18 MS. BEVAN: No objection. Thank you.

19 THE COMMISSIONER: Mr. McFee?

20 MR. McFEE: No objection. Thank you.

21 THE COMMISSIONER: Ms. Tweedie?

22 MS. TWEEDIE: No objection.

23 THE COMMISSIONER: Mr. Rauch-Davis?

24 MR. RAUCH-DAVIS: No objection. Thank you.

25 THE COMMISSIONER: And Mr. Butcher?

1 MR. BUTCHER: No objection.

2 THE COMMISSIONER: Thank you. Carry on, Mr. Smart.

3 Thank you.

4 MR. SMART:

5 Q Thank you. If exhibit 141 could be placed on  
6 the screen please, Madam Registrar. Let me just  
7 take you to the maybe the executive summary is a  
8 good place to start. You'll see, Mr. Baxter, if  
9 you can read that.

10 "In early January 2011, a series of news  
11 reports ran on cash transactions occurring  
12 at gaming facilities in British Columbia.  
13 Media stores focused on a number of large  
14 cash transactions involving small  
15 denomination Canadian currency, typically  
16 \$20 bills, that occurred over the summer  
17 of 2010."

18 You were one of the persons that participated in  
19 on of those news report, I gather.

20 A Yes, I did the CBC interview on January 4th.

21 Q And let me just ask why you -- you had an  
22 ongoing investigation, didn't you?

23 A Yes.

24 Q Why would you comment to the media about  
25 suspicious cash transactions and your concerns

1                   when there's an ongoing investigation?

2           A        I made no reference to the investigation itself.  
3                   It was a general interview by CBC in terms of  
4                   potential for money laundering in casinos in  
5                   British Columbia.

6           Q        You said "we're suspicious that it's dirty  
7                   money," "the casino industry in general was  
8                   targeted during that time period" "may well be  
9                   some very sophisticated money laundering  
10                  activities by organized crime." Was that a good  
11                  message to send --

12          A        Sorry, go ahead.

13          Q        No, no, that's fine.

14          A        Yeah, it was an overview based on the  
15                  intelligence that we had received within IPOC  
16                  from GPEB and the STRs and FINTRAC. And it was  
17                  a general overview that it was my conclusion  
18                  that the casinos may be being used in a  
19                  sophisticated money laundering operation by  
20                  organized crime. No specific reference to an  
21                  ongoing RCMP investigation.

22          Q        No, but it's certainly communicating to  
23                  organized crime that they are on your radar,  
24                  isn't it?

25          A        Oh, yeah. But like I gave no specifics on the

1 investigation at all.

2 Q No. So sorry, I diverted from what I wanted to  
3 ask you about. If we could then turn to page 6,  
4 please, Madam Registrar. Under the "Purpose and  
5 Scope of Review." What it says at the bottom  
6 paragraph:

7 "The minister directed that a review be  
8 undertaken of the measures employed by  
9 BCLC and GPEB aimed at protecting gaming  
10 facilities from organized criminal  
11 activity."

12 So you agree that the media reports appeared to  
13 have gotten the minister's attention?

14 A Yes.

15 Q Did you know Mr. Kroeker at this time?

16 A Yeah. Yes, I did. At that point the director  
17 of the civil forfeiture branch office.

18 Q And over the page, the next page, please, page 4  
19 under "Method," you'll see that he interviewed a  
20 number of people and in middle paragraph he  
21 said:

22 "Some senior members of the RCMP  
23 responsible for investigations involving  
24 money laundering terrorist financing and  
25 other financial crimes were interviewed."

1                   You were one of those people?

2           A        Yes, I was.

3           Q        Do you remember what information you provided  
4                   them?

5           A        Our discussion was mainly centred around  
6                   prevention of cash at the cash cages in the  
7                   casinos and in particular the enhancement of  
8                   player gaming accounts as a way to prevent those  
9                   large amounts of cash being brought into the  
10                  casinos. And that was quite a bit of the  
11                  conversation I had with Mr. Kroeker.

12          Q        All right. Thank you. Then over the page 8  
13                   under "Summary of Findings" he then summarizes  
14                   findings in relation to BCLC and I'll take you  
15                   to page 10, then. In his summary of findings,  
16                   under the heading "Reporting Obligations" you'll  
17                   see that what he stated was that:

18                         "BCLC's obligation is primarily a duty to  
19                         report. These reporting obligations do  
20                         not extent to a duty to investigate and  
21                         confirm the exact provenance of cash used  
22                         to buy-in. Detailed inquiries and  
23                         investigations into legitimate or  
24                         illegitimate sources of cash appropriately  
25                         fall to various enforcement and regulatory

1 authorities."

2 Did you agree with Mr. Kroeker's assessment?

3 A Well, that wasn't part of our discussion.

4 That's his report.

5 Q Yes. Well, do you disagree with what his  
6 conclusion is?

7 A No, I don't fundamentally disagree with anything  
8 he has said there. They're obligated to report  
9 to FINTRAC --

10 Q Yes.

11 A -- on *Proceeds of Crime (Money Laundering)*  
12 *Terrorism Financing Act*. They are -- they were  
13 reporting, no doubt about it. Again, it was  
14 just the concern about the volume and method of  
15 cash bundles going into the casino that gave me  
16 the concern that it was linked to ill-gotten  
17 gains, organized crime and a form of money  
18 laundering.

19 Q Yes. But what Mr. Kroeker says is that the  
20 detailed inquiries and investigation into  
21 legitimate or illegitimate sources of cash  
22 appropriately fall to various law enforcement  
23 and regulatory authorities. You don't disagree  
24 with that?

25 A I don't, but in completing STRs and Large Cash

1                   Transaction Reports, there are areas on the  
2                   report that it's incumbent upon the reporting  
3                   entity to fill out, and again my concern was  
4                   sometimes the veracity of that information, the  
5                   checking of the truthfulness of it and in fact  
6                   whether it was large or suspicious. And again  
7                   those were just some of the general concerns  
8                   that I had.

9                   Q       Down to the third paragraph from the second  
10                   sentence Mr. Kroeker writes:

11                               "Conclusions and statements as to the  
12                               ultimate legitimacy of cash should only be  
13                               made where there is detailed, independent  
14                               information verifying the source of the  
15                               funds and should only be made by the  
16                               enforcement agencies with a mandate to  
17                               conduct these types of inquiries."

18                   That would be the RCMP in particular, isn't it?  
19                   Or wasn't it?

20                   A       Yes.

21                   Q       Okay. So Mr. Kroeker is telling BCLC, it's not  
22                   your job to do detailed inquiries and  
23                   investigations into whether these -- into  
24                   legitimate or illegitimate sources of cash.  
25                   Leave it to the RCMP and regulatory authorities.

1                   That's the message to BCLC from Mr. Kroeker,  
2                   wasn't it?

3           A        Correct.

4           Q        So BCLC would be looking to organizations like  
5                   IPOC to do those investigations and provide that  
6                   information to them, wouldn't they?

7           A        And provide it back to BCLC?

8           Q        Yes.

9           A        No, I don't agree with that.

10          Q        Well, you're conducting -- IPOC was conducting  
11                   an investigation into these suspicious cash  
12                   transactions that were occurring at casinos in  
13                   2010, 2011, 2012, weren't they?

14          A        Yes.

15          Q        Okay. And it was IPOC and law enforcement's job  
16                   to determine whether these were illegitimate  
17                   sources of cash, wasn't it?

18          A        Yes.

19          Q        Did you ever communicate to BCLC guess what,  
20                   guys, this is from organized crime?

21          A        Yes, I did. In my meetings with Terry Towns.

22          Q        You never said, I've got an ongoing  
23                   investigation, this is proceeds of crime, we've  
24                   got proof of it, did you?

25          A        Not on a specific investigation, but in overall

1 discussion here is what we are seeing. We are  
2 suspicious that this is money generated by  
3 illegal activity and the casinos are being used  
4 to launder that money. Several discussions with  
5 BCLC on that aspect.

6 Q Yes. BCLC was routinely sending suspicious cash  
7 transactions, not just to FINTRAC but to IPOC,  
8 weren't they?

9 A Yes, directly through dedicated email account.

10 Q Why do you think they were doing that? They  
11 weren't obligated to, were they?

12 A No, they weren't.

13 Q So why do you think they were doing that?

14 A That was prior to my getting there and I'm not  
15 sure how that came into place. I believe it was  
16 somewhere around 2008 or 2009 that that practice  
17 came into place that they would send STRs into  
18 an IPOC email account.

19 Q And but there has to be a reason for a practice,  
20 Mr. Baxter. Surely it was because they were  
21 looking to law enforcement to assist them to  
22 determine the origins of these large suspicious  
23 cash transactions. You agree with that?

24 A They were reporting suspicious transactions.

25 Q Yes. They wanted law enforcement's assistance,

1                   didn't they?

2           A        I don't agree that they were looking for  
3                   assistance. My point is that they were  
4                   reporting suspicious transactions to IPOC.

5           Q        But surely that was being done so IPOC was aware  
6                   of those suspicious transactions and so that  
7                   they would investigate the origins of those  
8                   funds? Surely that was the case? That was your  
9                   conclusion, wasn't it?

10          A        They were submitting the STRs so that IPOC would  
11                   be aware of a suspicious transaction within a  
12                   particular casino.

13          Q        Yes. And you were aware that BCLC investigators  
14                   were not only sending these suspicious cash  
15                   transactions, they were on occasion meeting with  
16                   law enforcement trying to get them to engage in  
17                   investigation of the source of these funds. You  
18                   were aware of that?

19          A        That BCLC was doing that? No. I had no contact  
20                   with BCLC until after January 4th, 2011.

21          Q        Well, fine. After January 4th, 2011, in 2013,  
22                   2014, you were aware that they were trying to  
23                   engage law enforcement to investigate the source  
24                   of these funds, weren't you?

25          A        2013 I wasn't on the operational side anymore.

1                   2014 I was still not on the operational side, so  
2                   I have no firsthand knowledge of that. In 2011,  
3                   2012, I engaged with several meetings with Terry  
4                   Towns and others at BCLC and --

5           Q       Yes.

6           A       And my takeaway, if you will, was that they  
7                   didn't necessarily believe that the large cash  
8                   buy-ins was a form of money laundering.

9           Q       Well, in fairness, Mr. Baxter, because the money  
10                   was being lost, because these people had access  
11                   to large amounts, these were wealthy  
12                   individuals, they didn't think money laundering  
13                   was occurring in the casinos because the money  
14                   was being lost. Isn't that the message you were  
15                   getting?

16          A       On some occasions from GPEB I was hearing that  
17                   some of these high-ends would go in and  
18                   high-rollers would go in and maybe lose 200,000  
19                   in a night. But a couple of nights later they  
20                   would go in and maybe get 400,000 in profit. So  
21                   just the fact that it was laundered into the  
22                   casino and lost does not negate the fact that  
23                   ill-gotten gains were being introduced into the  
24                   casino.

25          Q       I see. Did you work as a police officer --

1                   sorry, did you work with Mr. Vander Graaf or  
2                   Schalk or Dickson when they were police  
3                   officers?

4           A       No.

5           Q       You developed a friendly relationship with them?

6           A       We developed a working relationship.

7           Q       Yes. Did you know the source of the information  
8                   they were providing you, where it came from?

9           A       They were showing us surveillance videos. They  
10                   provided us with Section 86 Reports. And  
11                   provided us with their take, their overall  
12                   assessment of the intelligence that they were  
13                   receiving as the investigative body for GPEB.

14          Q       So let me just -- I'll conclude with  
15                   Mr. Kroeker's report in just a minute. I just  
16                   want to go back, what I read to you:  
17                   "Conclusions and statements as to the ultimate  
18                   legitimacy of cash should only be made where  
19                   there's detailed independent information  
20                   verifying the source of the funds and should  
21                   only be made by the enforcement agencies with a  
22                   mandate to conduct these types of inquiries."  
23                   From the time you started until you left FSOC,  
24                   was there any investigation into -- concluded  
25                   investigation into the source of funds at these

1 casinos?

2 A Well, I was removed or put on administrative in  
3 January 2013, so I can't speak for '14 and '15  
4 because I wasn't on the operation side of the  
5 house. And so your question leaves me a little  
6 confused about concluded investigations.

7 Q All right. Well, the time you were there, was  
8 there any concluded investigations conducted?

9 THE COMMISSIONER: I'm sorry, Mr. Smart. The time he  
10 was where?

11 MR. SMART: I'm sorry. Thank you, Mr. Commissioner.

12 Q At IPOC, 2010, 2011, 2012, 2013.

13 A Was there a concluded money laundering  
14 investigation?

15 Q Yes.

16 A A money laundering investigation that's been  
17 subject to a lot of this conversation was  
18 terminated sometime in 2013 by the operations  
19 review committee that I spoke about earlier.  
20 And I had no role in that determination at all.

21 Q But that investigation never really got much  
22 beyond a preliminary probe, did it?

23 A No, actually I'll agree with you there. The  
24 difficulty in that money laundering  
25 investigation was that it was primarily

1 surveillance based which was not fruitful for a  
2 long period of time.

3 Q And I'll take the document down. Thank you,  
4 Madam Registrar.

5 What you needed was more resources?

6 A Not necessarily. What we were not getting,  
7 unfortunately, was any additional intelligence.  
8 We were trying to find is it loan-sharking and  
9 if so where is the loan shark located. They  
10 narrowed it down to some meeting points in  
11 restaurants. They narrowed it down to some  
12 parking lots, but they never really got traction  
13 in trying to then followup behind those people  
14 to target a specific individual day after day  
15 after day and they never do go to the casino.  
16 You know, it just takes a long time. And  
17 unfortunately I agree, it was not a fruitful  
18 probe or investigation.

19 Q Fair to say that in fall of 2010, 2011, 2012,  
20 early 2013 millions and millions of dollars of  
21 suspicious cash went into casinos and the RCMP,  
22 IPOC never conducted an effective investigation  
23 into the source of those funds?

24 A Never conducted investigation that could lead to  
25 recommended for charge approval.

1 Q Well, other than some surveillance, what did it  
2 accomplish?

3 A Well, we confirmed in fact that large amounts of  
4 cash in bags and plastic bags was being taken  
5 into the casinos on an ongoing basis. Large  
6 amounts. That the bundling of the  
7 \$10,000 bundles was occurring as we had been  
8 told by or informed by GPEB investigations. And  
9 so it confirmed a lot of that, but now you got  
10 to go backwards in the investigation and, okay,  
11 where is it coming from? And I know that the  
12 team was again not successful in infiltrating a  
13 restaurant where large volumes of cash was being  
14 stuffed into grocery bags and a courier was  
15 taking it to the casinos or a casino patron was  
16 meeting at that restaurant and coming out with  
17 bags of cash to take to the casino.

18 Q What you knew was what anybody who read the STRs  
19 and looked at video could conclude? You hadn't  
20 gained any further information than what GPEB  
21 and BCLC knew, had you?

22 A Other than confirming, I agree. Yeah, the  
23 investigation was not as fruitful as we had  
24 hoped or anticipated.

25 Q Yeah. You have used the term suspicious cash

1 transactions and you're careful about that  
2 because there's a difference between knowing  
3 what's proceeds of crime and being suspicious,  
4 isn't there?

5 A That's a subjective report and it's up to the  
6 entity taking the cash whether it's suspicious  
7 in nature, which requires a specific type of  
8 reporting, or whether it's just simply a large  
9 cash transaction, which has a different  
10 reporting to FINTRAC.

11 Q Why didn't IPOC seize some of these large cash  
12 transactions that were occurring? Why didn't  
13 you have an officer waiting at a casino? When  
14 \$400,000 in \$20 bills came in, why didn't you  
15 just seize it and turn it over to civil  
16 forfeiture? That would disrupt, it would --  
17 what your concerns were, it would take the  
18 incentive out of money launderers, organized  
19 crime giving to wealthy Chinese businessmen.  
20 Doing that, wealthy Chinese businessmen would be  
21 a lot less likely to be taking the cash. Why  
22 didn't you just seize it and give it to civil  
23 forfeiture?

24 A Because then we would be seen as an arm of a  
25 BC government entity as opposed to the RCMP. I

1                   mean, it was certainly potentially an option to  
2                   do it, but then that would not be furthering any  
3                   type of criminal investigation, so it was just  
4                   never done.

5           Q       Do you think looking back -- and I'm not being  
6                   critical of you, Mr. Baxter, but do you think  
7                   looking back that IPOC during your period of  
8                   time failed the citizens of this province in  
9                   trying to deal with the cash, the suspicious  
10                  cash that was coming into casinos?

11          A       Failed the public, that's quite a statement.  
12                  IPOC conducted investigation with the resourcing  
13                  and expertise that we had to the best of our  
14                  ability.

15          Q       But you accomplished nothing effectively, did  
16                  you?

17          A       The investigation was not as fruitful as we had  
18                  anticipated. I'm aware that further down the  
19                  line years later a similar investigation was  
20                  undertaken using the same approach, the same  
21                  format that was successful in laying charges.  
22                  It just we didn't get those nuggets of  
23                  information that would let us either probe  
24                  further or have enough evidence for a wiretap or  
25                  have enough to move into use of human sources.

1                   We just never got there.

2           Q        Okay.

3           A        But down the road --

4           Q        My time is up, so I've just got one last sort of  
5                    area to ask you about.  You are aware that BCLC  
6                    spent large amounts of money developing an  
7                    anti-money laundering regime, they brought in  
8                    analysts, they brought Brad Desmarais in in  
9                    2013, they brought in a number of steps to try  
10                   to deal with concerns about the origins of this  
11                   cash that was coming into casinos.  You were  
12                   aware of that?  You were aware of that before  
13                   you left the RCMP?

14          A        No, not specifically.  Like I said, when I  
15                   migrated over to the ops support group, the  
16                   administrative function, I was on a totally  
17                   different floor within the "E" Division  
18                   headquarters building and had very little  
19                   contact with the operational side of the house.  
20                   I did attend one meeting in which Mr. Desmarais  
21                   had requested and the option review committee,  
22                   those people I talked about who were the  
23                   decision-makers for investigation were at that  
24                   and basically it was a PowerPoint presentation  
25                   about what BCLC was doing.  But I have no role

1 in or decision-making in investigate or not.

2 Q One last question. Were you aware that in  
3 February 2015 Mr. Desmarais met with  
4 Mr. Chrustie and that was a catalyst that led to  
5 the E-Pirate investigation?

6 A 2015?

7 Q Yes, February 2015.

8 A I was retired by then.

9 MR. SMART: Thank you, Mr. Baxter. Those are my  
10 questions.

11 THE WITNESS: Thank you.

12 THE COMMISSIONER: Thank you, Mr. Smart. Now call on  
13 Mr. Skwarok on behalf of Great Canadian Gaming  
14 Corporation, who has been allocated ten minutes.

15 MR. SKWAROK: Thank you, Mr. Commissioner.

16 **EXAMINATION BY MR. SKWAROK:**

17 Q You've given evidence, sir, about cheques being  
18 issued for cash. Did you ever see those  
19 cheques?

20 A No.

21 Q Are you aware whether or not those cheques or  
22 some of them were for verified winnings?

23 A I have no firsthand knowledge of that at all.

24 Q And are you aware that some of these cheques  
25 would have been marked return of funds as

1                   convenient cheques?

2           A        I have no firsthand knowledge of that.

3           Q        Are you aware that the policy of Great Canadian  
4                   was that if players buy in with cash they get  
5                   cash back when they cash out and they only get  
6                   cheques for verified wins? Are you aware of  
7                   that policy?

8           A        No, not firsthand.

9           Q        BCLC investigators have testified, who were  
10                   working on the casino floor in your time frame,  
11                   that they never saw a patron buy-in with a large  
12                   amount of cash play notionally or perhaps not at  
13                   all and then cash out their chips for a casino  
14                   cheque. Do you take issue with their sworn  
15                   evidence?

16          A        No, other than I do have the issue of the letter  
17                   that was produced by another casino for chips  
18                   that were commingled and cashed out.

19          Q        I'm just talking -- I'm sorry, sir. I wasn't  
20                   clear. I'm talking about Great Canadian and  
21                   River Rock.

22          A        That's why I said "other casino."

23          Q        Thank you. Did the RCMP do a comprehensive  
24                   analysis of cheques issued by casinos to  
25                   determine whether they were issued in accordance

1 with anti-money laundering rules?

2 A No, that was not the role of the RCMP. That's  
3 regulatory within GPEB or the ministry.

4 Q Are you aware that the accountancy firm of Ernst  
5 & Young did an audit of cheques at River Rock  
6 for the years 2014 to 2016 and determined that  
7 there were no systemic improprieties with the  
8 issuance of cheques?

9 A No knowledge of that.

10 Q Did you ever or any of your team members to your  
11 knowledge ever tell Great Canadian about your  
12 concerns that money was being laundered through  
13 casinos?

14 A No, that would have been inappropriate. We did  
15 our discussions with GPEB on that peace officer  
16 to peace officer basis and any communication to  
17 the casinos was through GPEB investigators.

18 Q Thank you, sir. You testified that you reviewed  
19 video surveillance showing large sums of cash  
20 being used to buy-in at casinos. Do you recall  
21 that evidence?

22 A Yes.

23 Q And you got those videos or that video from  
24 GPEB, was it?

25 A Yes.

1 Q Are you aware that GPEB got the video from BCLC  
2 who got it from Great Canadian?

3 A All I can say is I know that GPEB provided them  
4 to us. Where they came from, other than they  
5 were surveillances, you know in the parking lots  
6 at casinos and interior casinos, so ...

7 Q In your experience, and saying that including  
8 your team members' experience, did you ever see  
9 an event where you believe Great Canadian was  
10 not cooperative with an RCMP investigation?

11 A Well, as I said, we weren't dealing direct with  
12 any casinos, so the answer is no.

13 Q All right. You testified that you reviewed  
14 various STRs and LCTRs and those are Suspicious  
15 Transaction Reports and Large Cash Transaction  
16 Reports; correct?

17 A Yes.

18 Q And you were aware that the base information  
19 that goes into those reports primarily came from  
20 casinos; correct?

21 A Yes, it's a mandatory requirement that they be  
22 submitted to FINTRAC.

23 Q So nothing is being hidden to the best of your  
24 knowledge?

25 A No.

1           Q     This is sort of an almost irrelevant point, but  
2                    I'm going to make it anyway, you say that dogs  
3                    can detect the presence of narcotics on bills.  
4                    And you fairly testified there are a number of  
5                    bills in circulation that have such traces. Do  
6                    you agree that the majority of cash in  
7                    circulation both in our country and the US has  
8                    traces of narcotics on them?

9           A     I think that's a high likelihood, yes.

10          Q     You referred to a \$460,000 cash transaction. Do  
11                   you know if that was reported to GPEB?

12          A     Well, it certainly would have been reported as  
13                   either an STR or an LTCR depending on the  
14                   approach taken by the reporting entity and  
15                   certainly that would have become knowledge at  
16                   GPEB.

17          Q     You stated fairly categorically that in your  
18                   opinion there was money laundering through  
19                   casinos and you base your assertion on the large  
20                   amount of cash in the volume of 20s; is that  
21                   accurate?

22          A     That and the bundling techniques and my  
23                   experience with our money pickups totally  
24                   separate from any of the casino investigation,  
25                   the similarities and my experience with in

1 particular Asian organized crime and how they  
2 use money both counterfeit and genuine.

3 Q But you could never prove that, could you?

4 A Prove what?

5 Q Prove that the funds coming into the casino were  
6 proceeds of crime or an attempt at money  
7 laundering?

8 A Well, that would have been part of our criminal  
9 investigation to prove that beyond a reasonable  
10 doubt.

11 Q But you didn't do that; right?

12 A We didn't do that at the time, no.

13 MR. SKWAROK: Thank you, sir. Those are my  
14 questions.

15 THE COMMISSIONER: Thank you, Mr. Skwarok. I'll now  
16 turn to Ms. Bevan on behalf of the Gateway  
17 Casino and Entertainment Ltd., who has been  
18 allocated ten minutes.

19 MS. BEVIN: Thank you, Mr. Commissioner.

20 **EXAMINATION BY MS. BEVAN:**

21 Q Mr. Baxter, can you hear me okay?

22 A Yes, I can.

23 Q Thank you. I'm going to ask Madam Registrar to  
24 pull up document GPEB0573, which was marked as  
25 exhibit J to Mr. Vander Graaf's affidavit

1 earlier. Thank you.

2 Mr. Baxter, this is a confidential report of  
3 findings prepared by Derek Dickson at GPEB about  
4 the event involving the letter that you referred  
5 to earlier today in 2010. Do you recall  
6 reviewing this report in 2010?

7 A Yes.

8 Q You said today that it was your view in 2010  
9 that the letter issued by Starlight Casino in  
10 2010 in relation to chips cashed in by this  
11 patron that's the subject of the report, that  
12 your view was that that letter was  
13 inappropriate. I take it from your evidence  
14 just previous in response to Mr. Skwarok's  
15 question that you did not communicate that view  
16 directly to the service provider around the time  
17 of the report in 2010; is that right?

18 A No, again we had no direct dealings,  
19 communication with any casino.

20 Q Do you recall being aware in 2010 when this  
21 report was issued that Starlight Casino was then  
22 operated by an entity called Gateway Casinos and  
23 Entertainment Inc.?

24 A No.

25 Q Do you recall being aware in the fall of 2010

1                   that ownership and control of that entity was  
2                   transferred to a new company Gateway Casinos and  
3                   Entertainment Limited?

4           A     I have no personal knowledge of that.

5           Q     You're not aware of any similar letter of being  
6                   issued again in your experience at IPOC up until  
7                   the early 2013?

8           A     Correct. That was the one letter that I became  
9                   aware of early on as shown to me by GPEB  
10                  investigators and reviewing the letter, like I  
11                  say, basically I know in advance of me looking  
12                  at it Inspector Mike Arnold, who was the  
13                  operations officer, had looked at it and said it  
14                  was, quote/unquote, a get out of jail free card,  
15                  because in effect when I reviewed it was like  
16                  okay, if somebody had this amount of money, this  
17                  cheque, here is the rationale for it and you  
18                  could take it to a bank and a bank would accept  
19                  it because it had a verified source of funds.  
20                  And so therefore had those chips been generated  
21                  through illegal activity, they had been  
22                  successfully washed and reintroduced into the  
23                  system.

24           Q     But to your knowledge this was an isolated  
25                   incident?

1           A     It's the only one I was aware of.

2           Q     I'm going to ask Madam Registrar to turn to  
3                   page 119 in the upper right-hand side corner of  
4                   the document. So it's just a few pages down  
5                   from where we are. Thank you. Earlier today in  
6                   response to questions from my friend Mr. Isaac  
7                   you talked about commingling of casino chips and  
8                   you used this instance that's the subject of  
9                   this report as an example of commingling of  
10                  chips from other casinos. Or at least that's  
11                  what I understood from your evidence. I'm  
12                  wondering if you might clarify that point based  
13                  on this report. In the second paragraph here it  
14                  refers to on May 4, 2010, he, being the patron,  
15                  returned to the Starlight Casino and presented  
16                  \$1.2 million in Starlight Casino value chips for  
17                  redemption, and then the report goes on. I'm  
18                  wondering, does this refresh your recollection  
19                  of whether this particular incident was an  
20                  example of commingling of chips from other  
21                  casinos or whether commingling of chips from  
22                  other casinos was a concern that you -- or risk  
23                  you perhaps identified more generally in 2010?

24          A     Yeah, when I was briefed by GPEB about this  
25                  particular instance, you know, this suitcase

1                   with all of these chips in it, my recollection  
2                   is they said -- "they" being GPEB said that  
3                   there were chips from a number of casinos there  
4                   and it was a careful to say common practice but  
5                   a practice amongst the casinos to allow other  
6                   casino's chips to be used in a particular  
7                   casino. So my recollection of the briefing was  
8                   that within that suitcase, that 1.2 million were  
9                   other casino chips and that's my reference to my  
10                  concern about the commingling cumulatively.

11                Q     But you'll agree this report here as written  
12                   refers to \$1.2 million in Starlight Casino value  
13                   chips; correct?

14                A     That's what it says, but that is not how I was  
15                   briefed by GPEB investigators.

16                Q     Okay. Thank you. I'm going to ask you now --  
17                   Madam Registrar, we can take this document down.  
18                   I'm going to ask you briefly about two documents  
19                   that you've already been taken to today,  
20                   Mr. Baxter, exhibit 759 and exhibit 760. I  
21                   think we can move through quickly based on what  
22                   your evidence has been previously. I'm  
23                   wondering if we can have a look at exhibit 759,  
24                   which was the casino summary and proposal  
25                   document from December 2011.

1                   If we could go down to the final page of the  
2                   document. This document, Mr. Baxter, says in  
3                   the final paragraph:

4                   "At the casino level, a direction has to  
5                   be taken to decrease their 'acceptance' of  
6                   large and suspicious cash transactions  
7                   with a view to going in the direction of  
8                   electronic funds."

9                   I take it from your evidence that you weren't  
10                  dealing directly with service providers, that  
11                  this was a direction or a recommendation that it  
12                  was your expectation GPEB would pursue based on  
13                  your discussions.

14                 A       Yes, that was part of the discussion about not  
15                  only the investigation but the prevention side  
16                  or the education side, and really this  
17                  paragraph whoever drafted it, and I'm not sure  
18                  who it was back in December 2011, would have  
19                  known that that was kind of the approach that we  
20                  were taking.

21                 Q       Okay. Thank you, I'm finished with that  
22                  document, Madam Registrar.

23                  Before we get to exhibit 760, Mr. Baxter,  
24                  you also earlier today expressed reservations  
25                  about the veracity of information that was

1 provided to service providers and recorded by  
2 service providers in their reports which  
3 ultimately came through BCLC. Is that an  
4 accurate characterization of your concern that  
5 you were speaking about earlier today?

6 A Yeah, when I looked at the physical copy or  
7 reproduced copy of, say, an STR, the description  
8 of businessman or owns a coal mine and that type  
9 of thing, the level or veracity of the  
10 information gave me a lot of concern, and again,  
11 they are being completed in a subjective manner.  
12 Is this suspicious or is this large? They're  
13 being completed and forwarded to FINTRAC, but  
14 like is there a corporate responsibility to make  
15 sure that the information is accurate because I  
16 know for a fact on one occasion, one team  
17 followed up on again was this empty lot in  
18 North Vancouver. So what education or what type  
19 of veracity was applied in completing the form  
20 at the service provider level. So that was my  
21 concern. One of my concerns.

22 Q And I understand from your evidence that you  
23 would not have addressed these types of concerns  
24 directly with service providers?

25 A No, that would have been inappropriate. We did

1 not -- deal with the casino on a personal one on  
2 one level. That's not our function.

3 Q So it would be your expectation as part of the  
4 discussions that GPEB would address that concern  
5 directly with service providers?

6 A Yes. And totally when I sat with Rob Kroeker  
7 that was also a little bit of a part of the  
8 overall discussion, how do we make this better  
9 so that the casinos are not being used to  
10 launder money, that preventative measures within  
11 the casino could help from them being victimized  
12 by, as I said in my media interview, a somewhat  
13 sophisticated undertaking by organized crime to  
14 use casinos. To use them. Not that the casinos  
15 participate or anything. I'm not suggesting  
16 that whatsoever. They were used by organized  
17 crime in my opinion to launder money.

18 Q I'm wondering if I can go now to exhibit 760 and  
19 ask you about a comment I think I heard you make  
20 earlier about education. And this is the  
21 investigation on planning report for the  
22 proposed investigation and I'm wondering if we  
23 can just flip to the final page, which is  
24 page 5. I understand this is a document,  
25 Mr. Baxter, that you did review at the time it

1                   was prepared?

2           A       Yes.  This is part of a larger document.  I  
3                   think you'll see it's page 5 of something like  
4                   14 or something like that.

5           Q       Thank you.  Now, here page 5 is a continuation  
6                   of what is a summary of a three-pronged  
7                   investigation summary and you can see under J,  
8                   proposed investigation summary it says how will  
9                   the objectives be achieved, and I understand the  
10                  objective is successful prosecution for  
11                  possession of proceeds of money laundering; is  
12                  that correct?

13          A       Yes.

14          Q       And the third aspect in the bottom paragraph of  
15                  the operational plan is to extend a public  
16                  education program to include casino management  
17                  and staff.  Do you see that there?

18          A       Yes.

19          Q       And this is something that I think you had  
20                  referred to earlier as a possible function that  
21                  could be carried out?

22          A       By GPEB.

23          Q       By your team?

24          A       By GPEB.

25          Q       And it was also proposed in here, it refers to

1 an established merchants against money  
2 laundering initiative that was designed to  
3 better educate business and community groups on  
4 money laundering. Do you see that there?

5 A Yes, that was a program undertaken by a  
6 commercial crime section in order to educate  
7 merchants about how money laundering could take  
8 place. That was a national initiative created  
9 out of Ottawa.

10 Q Okay. And it's proposed in the very last line  
11 that these sessions would be conducted by the  
12 C22 money laundering team member and require  
13 cooperation of both GPEB and casino companies  
14 themselves. Do you see that?

15 A Yes.

16 Q Would you agree with me that one of the goals of  
17 implementing this aspect of the proposed  
18 operational plan would be to increase engagement  
19 with service providers as stakeholders?

20 A That was the proposal and it would be in the  
21 form of if GPEB could construct some kind of  
22 educational/training program that service  
23 providers, the people in the cash cages or  
24 others within the casino could benefit from that  
25 type of overall information to make decisions

1                   about gee, is this potentially money laundering  
2                   happening here, then that's certainly part of  
3                   the preventative plan.

4           Q       And as these sessions would be conducted by  
5                   members of the C22 team, there would be that  
6                   increased engagement directly with members of  
7                   the IPOC team and service providers?

8           A       It could have had all this been approved and  
9                   rolled out.

10          Q       And this is a proposed intelligence probe,  
11                   correct, so there's also an intelligence benefit  
12                   to this aspect of the operational plan?

13          A       I wouldn't link education awareness by employees  
14                   as intelligence gathering. It could have been a  
15                   training session to better educate about how  
16                   money launderers could use casinos to launder  
17                   ill-gotten gains.

18          Q       Okay. And I think as you mentioned, this  
19                   operational plan was not submitted and  
20                   ultimately the proposed education outreach  
21                   program was not ruled out?

22          A       Not during the time I was there and I don't  
23                   think it ever was downstream of 2013.

24          MS. BEVAN: Okay. Thank you. Those are my  
25                   questions, Mr. Baxter. Thank you very much.

1 Thank you, Mr. Commissioner.

2 THE COMMISSIONER: Thank you, Ms. Bevan. Now turning  
3 to Mr. McFee on behalf of James Lightbody, who  
4 has been allocated 15 minutes.

5 **EXAMINATION BY MR. McFEE:**

6 Q Mr. Baxter, are you able to hear me okay?

7 A I can.

8 Q Thank you. I'd like to refer you back if I  
9 could to this investigational planning and  
10 report that you've been referred to a few times.  
11 Madam Registrar, if you could bring up  
12 exhibit 760 that was just being referred to a  
13 minute ago. Thank you.

14 Now, as I understood your evidence, and  
15 correct me if I'm wrong, this is an  
16 investigational proposal that's submitted by  
17 IPOC for consideration and approval by more  
18 senior members of THE RCMP?

19 A No, this was submitted by the money laundering  
20 team to my operations officer, which would then  
21 come to me for approval and then it would be  
22 forwarded to the federal policing officer for  
23 ultimate approval.

24 Q So you told us earlier that this plan didn't  
25 proceed. It wasn't approved. Is that accurate?



1           Q     But as I understood your evidence, you initiated  
2                    this investigation into suspicious cash entering  
3                    casinos soon after you became the officer in  
4                    charge of "E" Divisions IPOC in July of 2010?

5           A     Yes, I directed the C22 team to undertake an  
6                    investigation of what we believed to be money  
7                    laundering in the casinos.

8           Q     So a year and a half later we're now at the  
9                    stage where you are seeking a low-level probe,  
10                    or at least your team is seeking a low level  
11                    probe?

12          A     Yes, keeping in mind what they had done before  
13                    was almost the equivalent of this. Now they  
14                    were looking for additional resources beyond the  
15                    C22 team and the occasional use of other IPOC  
16                    personnel to engage Criminal Intelligence  
17                    Service, to engage special "O." We just didn't  
18                    get any traction on what they had been doing.  
19                    And I agree, it was not what we had hoped would  
20                    happen when I ordered the investigation kind of  
21                    mid 2010, fall of 2010.

22          Q     And, Madam Registrar, if I could ask you to go  
23                    to page 3 of the exhibit, please.

24                    And if we could go to J at the bottom of  
25                    page 3. You see that, Mr. Baxter?

1 A Yes.

2 Q It's the proposed investigation summary. And it  
3 says:

4 "Although intelligence gleaned to date  
5 indicates that these 'bags of cash'  
6 involved in these large buy-ins have their  
7 ultimate origins in street-level criminal  
8 activity, drawing a concrete link to these  
9 activities has thus far been an elusive  
10 goal."

11 And so that was the status of the investigation  
12 at the time your team had been unable to draw a  
13 concrete link between these bags of cash coming  
14 into casinos and street level criminal activity;  
15 correct?

16 A Correct.

17 Q And that -- this report is a full year after  
18 your interview with CBC news; correct?

19 A Yes.

20 Q And so when you told CBC news that you were  
21 suspicious that it's dirty money, you were  
22 making that statement based on suspicion and  
23 suspicion alone; correct?

24 A Not suspicion alone. Again, I refer back, my  
25 experience, our money pickups, the bundling

1                    techniques, the drug detection dog, the volume,  
2                    the amount all led as little nuggets to me and  
3                    everybody I briefed or spoke to concluding that  
4                    this was money laundering taking place in the  
5                    casinos and those moneys were the result of  
6                    organized crime illegal activity.

7                    Q     But to be clear, if you were drawing those  
8                    conclusions personally, you were drawing them in  
9                    the absence of any evidentiary link, any  
10                    concrete link between the money entering casinos  
11                    and illicit proceeds; correct?

12                    A     Well, it was my suspicion that that is where it  
13                    came from and I think well-founded, so I'll  
14                    leave it at that.

15                    Q     Precisely, it was nothing more than a suspicion,  
16                    was it?

17                    A     Yeah, but it's based on my, again, my  
18                    experience, my expertise that I think that it  
19                    was a logical conclusion that this was money  
20                    being generated by illegal activity. Like I  
21                    said earlier, you know, if somebody buys in for  
22                    \$400,000, where do you get 20,000 \$20 bills?  
23                    \$20 bills are generated by drug trafficking.  
24                    That and I have covert operations background and  
25                    a vast majority of buys and, et cetera, that I

1                   made in that capacity were with \$20 bills. It  
2                   is the currency of drug trafficking. And so  
3                   again is I think well-founded, my experience and  
4                   expertise and knowledge that personally I could  
5                   not think of any other conclusion other than it  
6                   was being generated by criminal activity. Not  
7                   in those volumes.

8           Q       And despite your experience a full year later  
9                   your team was unable to draw any concrete link  
10                  between your bags of cash and criminal activity;  
11                  correct?

12          A       Well, that was a very difficult hurdle because  
13                  you are dealing within a very closed system of  
14                  organized crime, and the cash collection of  
15                  criminal activity into some form of clearing  
16                  house, if you will, for bundling, et cetera, is  
17                  a very, very difficult entity to infiltrate, and  
18                  in order to get wiretap, part 6, there would  
19                  have had to have been a huge hurdle to get that  
20                  approved. Use of human sources in a closed  
21                  system like that is very problematic. They are  
22                  a criminal organization who take retribution  
23                  against people who provide information to law  
24                  enforcement. So again, without belabouring it  
25                  there's all those things going on, and it's a

1                   very difficult process. As I said in response  
2                   to another question, I am aware that E-Pirate  
3                   did become successful using basically from what  
4                   I've heard the same techniques. They were  
5                   successful.

6           Q       Madam Registrar, we can take that exhibit down  
7                   now, please. I want to change topics a bit,  
8                   Mr. Baxter. I want to focus for a moment on the  
9                   evidence you gave about attending a number of  
10                  meetings with BCLC officials, including  
11                  Mr. Towns, and those occurred after your  
12                  January 4th, 2011 interview as I understood you;  
13                  correct?

14           A       Correct.

15           Q       And you were uncertain as to the number of  
16                  meetings. I think you said 3, 4, maybe 5. Did  
17                  I understand you correctly?

18           A       Yeah, over the next little while. You know,  
19                  mainly because it was such a high-profile issue  
20                  and continued to be in the media, and like I say  
21                  prior to that I had not any formal contact with  
22                  anybody at BCLC and after that it became  
23                  meetings and dialogues.

24           Q       And that's one of the things I want to focus on.  
25                  You say "over the next little while." What time

1 frame did these meetings take place? Was it  
2 four months? Six months? Three months?

3 A Probably over four to six months, but then that  
4 relationship was still there. The lines of  
5 communication were still open. But there were  
6 several meetings immediately after and, you  
7 know, again those were to discuss, okay, you  
8 know, here is what BCLC is doing and so we had  
9 this discussion and really at the end it was an  
10 agree to disagree whether or not this was money  
11 laundering. And my takeaway from those meetings  
12 is that they, Terry and whoever else was there,  
13 that not necessarily was this money laundering.  
14 And if it was it was not up to the casino, it  
15 was up to the RCMP and IPOC to conduct a  
16 criminal investigation. And as I said, at one  
17 point the statement was made, once that patron  
18 steps inside the casino, they're valued  
19 customers.

20 Q Did you learn that Mr. Towns retired from BCLC  
21 in December 2012?

22 A Yes, because it was some point after that when  
23 Mr. Desmarais I think took over and that was the  
24 migration into FSOC and my new role and then  
25 there was that PowerPoint presentation with the

1 ops review committee.

2 Q Right. So you learned that Mr. Desmarais took  
3 over and assumed Mr. Town's role as BCLC's vice  
4 president of corporate security and compliance?

5 A Yeah, that's what I learned once we kind of met  
6 up to have that PowerPoint presentation at the  
7 Green Timbers office.

8 Q And in the same time frame were you aware that  
9 in June 2011 my client Jim Lightbody was  
10 appointed BCLC's Vice President of Casinos and  
11 Community Gaming?

12 A No.

13 Q Do you recall, however, that in this time frame  
14 contemporaneous with Mr. Lightbody's appointment  
15 in the summer of 2011 that BCLC implemented the  
16 cash alternatives program to move BC casinos  
17 away from a cash-only business?

18 A That was part of my discussion with Rob Kroeker  
19 when he was doing his report about player gaming  
20 accounts, and again that discussion was what are  
21 the alternatives to these big amounts of cash  
22 coming in. And that was one of the things being  
23 suggested.

24 Q Did you learn in your discussions with Mr. Towns  
25 and this other BCLC representative that BCLC had

1                   banned an identified cash facilitator from  
2                   BC casinos in the fall of 2012?

3           A       Yes. Through GPEB I became aware that some  
4                   customers had been banned because of suspicious  
5                   activity. But I don't recall hearing that from  
6                   BCLC at all.

7           Q       Okay. And you refer to this PowerPoint  
8                   presentation. If I could ask Madam Registrar to  
9                   bring up BCLC0012652, please. Do you see that,  
10                  Mr. Baxter?

11          A       Yes.

12          Q       And it's dated April 18, 2013, and you'll see  
13                  it's presented at RCMP Green Timbers to Barry  
14                  Baxter, Superintendent Bergerman, Murray Power,  
15                  Cal Chrustie and others. Is this the PowerPoint  
16                  presentation you were referring to that you were  
17                  present for?

18          A       Yes, and the only reason I was present was  
19                  former role in IPOC to bring these people  
20                  together to get this presentation in their roles  
21                  in the operations review committee deciding  
22                  whether or not to do investigations.

23          Q       And you'll see it's entitled "Reducing Reliance  
24                  on Cash in BC Casinos & More..."

25          A       That's the title.

1           Q     And you understood from your attendance at this  
2                   meeting that BCLC personnel were informing you  
3                   and the other RCMP members about the steps BCLC  
4                   was taking and had taken to decrease cash in  
5                   BC casinos?

6           A     That was part of the presentation, yeah. I  
7                   don't specifically recall all of it. That's  
8                   what the title says, but like I say, I don't  
9                   have any -- I can't remember the presentation  
10                  quite frankly.

11          Q     Okay. Madam Registrar, if I could ask you to  
12                  scroll to page 10 in the bottom right-hand  
13                  corner of this. Thank you. "Summary." You see  
14                  there's a summary of cash removed from casinos  
15                  since April 1st, 2012. It's a very considerable  
16                  total, 912-odd million. You see that?

17          A     Yes.

18          Q     Do you recall that portion of the presentation  
19                  being made?

20          A     No, not at all.

21          Q     Do you recall leaving the meeting with an  
22                  impression at least or an understanding that  
23                  BCLC had made significant progress in removing  
24                  cash from BC casinos?

25          A     I don't specifically recall that. Again my role

1 at that time was on the administrative side, not  
2 the operational side. It was a nice overview of  
3 what was going on, but it had nothing to do with  
4 my current job description. So yeah, I didn't  
5 walk away with any particular conclusions. It  
6 was directed at Superintendent Bergerman for  
7 sure because she was part of the review  
8 committee, and those other people noted there  
9 were the team leaders of the new operational  
10 teams. I was only there because if I recall  
11 correctly, Brad had called me or left a message  
12 for me to try to arrange a meeting so that he  
13 could give a presentation to the new  
14 decision-makers.

15 Q Madam Registrar, if I could ask you to go to  
16 page 18 of that exhibit, please, in the bottom  
17 right-hand corner. Yes, you see "moving  
18 forward"?

19 Mr. Baxter, here BCLC is setting out what  
20 they are doing going forward in establishing a  
21 BCLC intelligence unit and increasing analytical  
22 capacity and having their own AML regime,  
23 focusing on the player, not the commodity  
24 (money), increasing understanding of our players  
25 know your client, higher level of due diligence,

1 predictive analysis. Do you remember BCLC's  
2 representatives telling you and the other RCMP  
3 officers that BCLC was making all of these  
4 progressive steps to enhance its AML regime at  
5 the time?

6 A I don't have any specific recollection. That  
7 was part of the presentation.

8 Q Okay. So after this April presentation that you  
9 were present at, and I appreciate you weren't on  
10 the operational side anymore, but after this  
11 presentation, did it strike you that BCLC's  
12 approach under their new leadership team was in  
13 contrast to the approach that you had received  
14 from Mr. Town's earlier where it was where they  
15 weren't convinced this was money laundering, now  
16 BCLC was taking active steps to enhance their  
17 AML regime?

18 A Yes, that's fair to say.

19 MR. McFEE: Those are my questions, thank you.

20 THE COMMISSIONER: Thank you, Mr. McFee. I'll turn  
21 now to Ms. Tweedie on behalf of British Columbia  
22 Civil Liberties Association, who has been  
23 allocated five minutes.

24 MS. TWEEDIE: Thank you, Mr. Commissioner.

25 **EXAMINATION BY MS. TWEEDIE:**

1           Q     Mr. Baxter, you've used the term "Asian  
2                   organized crime" several times in your testimony  
3                   this morning. I'm hoping you can explain a bit  
4                   more what you mean by that, if you're referring  
5                   to particular groups, or ...

6           A     Asian organized crime, broadly defined, is a  
7                   number of groups mostly Asian based ethnicity or  
8                   offshore who have been designated that by RCMP  
9                   and other police force intelligence services.  
10                  So we have outlaw motorcycle gangs, but then you  
11                  can break that down into several gangs. You  
12                  have Persian or Iranian organized crime, but  
13                  that's a number of groups. You have traditional  
14                  organized crime. So Asian organized crime is,  
15                  as I say, mostly Asian based within groups, and  
16                  I have had a fair amount of experience in my  
17                  investigations specifically involving  
18                  counterfeit currency where it was Asian  
19                  organized crime. That's just a heading for a  
20                  number of groups.

21          Q     Thank you. I'm hoping you could perhaps be a  
22                  bit more specific as to what you refer to there,  
23                  it's a heading for a number of groups. Can you  
24                  name specific groups, and I appreciate you say  
25                  that they're from Asian countries but of course

1                   there are nearly 50 Asian countries, so I'm  
2                   hoping you could perhaps be a bit more specific.

3           A       Well, it could be Vietnamese, it could be  
4                   Chinese, it could be Cambodian. It's just Asian  
5                   based, like that kind of sector. I mean, there  
6                   are examples of -- the group that I worked had a  
7                   specific name of their group which was located  
8                   across Canada conducting the counterfeit  
9                   currency production and distribution.

10          Q       Okay. So Vietnamese, Chinese and Cambodian,  
11                   those are three countries you can name as far as  
12                   groups that you've encountered that fall under  
13                   the Asian organized crime heading?

14          A       Yeah, without going back into the Criminal  
15                   Intelligence Service of Canada, CISC and  
16                   reviewing their definition and groups associated  
17                   to that definition. That's just my  
18                   recollection.

19          Q       Okay. Thank you. You stated earlier that it  
20                   was your belief that loan-sharking taking place  
21                   in casinos was being facilitated by Asian  
22                   organized crime. I assume that this belief is  
23                   in part based on the fact that the patrons who  
24                   are bringing large amounts of cash into casinos  
25                   were Asian?

1           A     Yes, that is one aspect of it. And they were.  
2                     A lot of the high-end gamblers were from Hong  
3                     Kong, from China, from Macao, but they were also  
4                     located in Vancouver. By and large what was  
5                     being tracked and shown as high-end gamblers  
6                     were Asian. And again I go back to my  
7                     experience with the investigation of the group  
8                     that I referred to with the counterfeit  
9                     currency, I think the comfort level would be  
10                    there to deal with them if in fact it was coming  
11                    directly from them, if not, the loan sharks that  
12                    they were dealing with. And that's just my take  
13                    on it.

14           MS. TWEEDIE: Okay. Thank you, sir. Those are all  
15                    my questions.

16           THE COMMISSIONER: Thank you, Ms. Tweedie. I'll now  
17                    call on Mr. Rauch-Davis for Transparency  
18                    International Coalition, who has been allocated  
19                    15 minutes.

20           **EXAMINATION BY MR. RAUCH-DAVIS:**

21           Q     Thank you, Mr. Baxter. Can you hear me okay?

22           A     Yes, I can.

23           Q     Okay, great. In terms of the priority and the  
24                    tiering system at IPOC, I take it that most of  
25                    the money laundering files that were coming

1                   across your desk you were related to organized  
2                   crime and drug trade. Right?

3           A       Yes, and that was our national mandate. Only  
4                   those of the highest possible levels of  
5                   organized crime activity. National or  
6                   international or divisional.

7           Q       Was it your experience that within that mandate  
8                   primarily they related to drug trade; right?

9           A       Yeah, somewhere in the intelligence report they  
10                   concluded that at least 70 percent of all money  
11                   laundering was generated through drug  
12                   trafficking.

13          Q       Did IPOC when you were the OIC ever conduct  
14                   investigations into money laundering associated  
15                   with tax evasion as a predicate offence?

16          A       No. Although we had Canada Revenue Agency  
17                   people who would come in and review files but  
18                   none to my knowledge.

19          Q       So the CRA was tasked with obviously  
20                   investigating the predicate offence of tax  
21                   evasion. Is it your evidence that they never  
22                   referred a money laundering charge to IPOC?

23          A       Not the time that I was there, no.

24          Q       Did you -- I mean, talked a bit about or gave a  
25                   bit of evidence about information sharing

1                   between IPOC and several other bodies. Did you  
2                   have a good information sharing system with the  
3                   CRA?

4           A       The CRA, you know, because of their mandate and  
5                   they're privacy related was they could review  
6                   our files. They were very, very limited in what  
7                   they could provide to us unless there was a  
8                   special order issued.

9           Q       I see.

10          A       So easiest way to describe it is pretty much a  
11                   one-way street.

12          Q       Thank you. I wonder moving down the list of  
13                   predicate offences, did IPOC while you were the  
14                   OIC ever conduct investigations of money  
15                   laundering associated with predicate offences  
16                   related to corruption or corporate fraud?

17          A       No.

18          Q       And I take it that that's because these white  
19                   collar crimes, these were kind of lower on the  
20                   priority list or the tiering system; right?

21          A       White collar crimes being defined as like the  
22                   fraudulent related?

23          Q       The three we went through, well, the corruption  
24                   and corporate fraud, tax evasion, these types of  
25                   things they didn't come across your desk is your

1 evidence, and I take that's because the  
2 investigative priority were the drug crimes and  
3 organized crime, biker gangs and things of that  
4 nature.

5 A Correct. If it was a corruption investigation  
6 generally those could be handled out of Ottawa.  
7 Normally those are more national or  
8 international in nature. Corruption of a  
9 foreign official or something like that.

10 Q What group in Ottawa would have conduct of that  
11 type of investigation?

12 A Within commercial crime branch when I was there  
13 there was a corruption-related unit, and under  
14 the IPOC I know that corruption of foreign  
15 officials was part of the mandate, but I believe  
16 it was primarily the commercial crime branch.

17 Q Thanks. And I take it from your evidence this  
18 morning that IPOC had communications with  
19 international partners; right?

20 A Yes.

21 Q And those discussions are kind of necessitated  
22 out of the fact that money laundering doesn't  
23 really stop at the border? It goes all over the  
24 world?

25 A That's correct. Canadian money goes south;

1 drugs come north.

2 Q And vice versa, money comes in; right?

3 A Yes.

4 Q And so you mentioned as well that you had  
5 intelligence from the United States on what was  
6 going on in Vancouver. That's my note. And I  
7 take it what you meant by that, I think this was  
8 in relation to the casino investigation, I take  
9 it that you had received intelligence from  
10 someone in the United States that they had  
11 knowledge that foreign illicit funds are being  
12 laundered in Vancouver and BC. Right?

13 A Yes, without going into too much detail,  
14 Vancouver was a hub for moving money south.

15 Q I see. For moving money south?

16 A Yes. Hence, the money pickup investigations  
17 that we were doing in coordination with various  
18 US agencies.

19 Q When did you first receive this type of  
20 intelligence from foreign jurisdictions?

21 A I think we were doing money pickups in 2010.  
22 Fall of 2010, early 2011.

23 Q And did any other foreign jurisdictions report  
24 similar intelligence, that Vancouver was being  
25 used as a hub for money laundering?

1           A     Canada is a member of what's called the Five  
2                    Eyes strategic alliance, which would be  
3                    Australia, New Zealand, United Kingdom, United  
4                    States and Canada, so those intelligence  
5                    bulletins were circulated.

6           Q     Pretty frequently; right?

7           A     Yes.

8           Q     And so while you were with IPOC you were getting  
9                    frequent reports and intelligence from foreign  
10                   jurisdictions that Vancouver and BC was being  
11                   used as a preferred location to launder funds;  
12                   right?

13          A     Yes. Along with the I5 corridor all the way  
14                   down to Los Angeles.

15          Q     And that information you pass along to your  
16                   headquarters in Ottawa, of course?

17          A     Oh, they're well aware of it.

18          Q     Yeah, they know what's going on. And Ottawa  
19                   knew that prior to re-engineering IPOC to FSOC;  
20                   right?

21          A     Yes, you know, prior to that federal policing  
22                   was in a number of silos of specialized units,  
23                   of which IPOC was one.

24          Q     Right. And so all of that information, that  
25                   weighed in the deliberation of the

1 re-engineering and what that would look like;  
2 right?

3 A I'm sure it did in the discussions at the very  
4 senior management level of the RCMP in Ottawa  
5 when the ultimate decision was made to  
6 re-engineer what federal policing looked like.

7 Q And so in the casino investigation, which you've  
8 given quite a bit of evidence on today, I  
9 understand your evidence to effectively be that  
10 you knew that the bricks of the \$20 bills were  
11 proceeds of crime, you couldn't get to a  
12 criminal standard of proof. Do I have that  
13 right?

14 A That's correct.

15 Q Did you think you could get to a civil standard?

16 A Well, you know, the civil standard, a balance of  
17 probabilities which is defined as 50 plus 1 to  
18 be determined by a judge, and so if there was  
19 that level, much, much lower than beyond a  
20 reasonable doubt, then, yes, the civil  
21 forfeiture approach could have been undertaken  
22 to just simply seize the money, but there would  
23 be nothing worse than seizing \$400,000 from  
24 somebody only to have to give it back if we were  
25 not going to pursue criminal charges and civil

1 forfeiture declined to take on the case.

2 Q So did you ever speak to civil forfeiture about  
3 whether or not to take forfeiture action?

4 A Ironically in my time at Vancouver commercial  
5 crime I was in charge of the telemarketing task  
6 force, which had civil forfeiture personnel  
7 embedded in it, and we had a civil forfeiture  
8 unit within IPOC, because to be clear, within  
9 IPOC and our policy in "E" Division,  
10 British Columbia, a matter could not be referred  
11 to civil forfeiture unless all criminal  
12 potential had been exhausted, attempted or  
13 exhausted, and then an only then and only  
14 through IPOC could a matter be referred to the  
15 director of civil forfeiture. Or else everybody  
16 willy-nilly would have been referring matters.  
17 So we made it a policy for that. So yes, these  
18 could have been referred for civil forfeiture  
19 and then the decision is made by the director  
20 whether or not to take it on.

21 Q Ultimately isn't that what happened, though,  
22 with the investigation? You went down as far as  
23 you could on the investigation, decided that you  
24 couldn't lay criminal charges, so did you  
25 rethink civil forfeiture at that stage?

1           A     We had not made any seizures related to the  
2                   casinos or patrons entering the casinos, so we  
3                   didn't have an asset that we could present to  
4                   the director that on a balance of probabilities  
5                   came from criminal activity.

6           Q     Did you get any pressure from the casinos to not  
7                   pursue civil forfeiture?

8           A     We had no direct dealings with the casinos.

9           Q     Last questions here. Just one clarification on  
10                  some evidence was that you said that you had a  
11                  good relationship with FINTRAC but FINTRAC  
12                  disclosure was stale-dated. Did you ever raise  
13                  that as an issue with FINTRAC?

14          A     Yes, we had discussions because FINTRAC again  
15                  when that federal legislation, the *Proceeds of*  
16                  *Crime (Money Laundering) Terrorism Financing Act*  
17                  came into being and created FINTRAC there's  
18                  expectations of privacy, and so FINTRAC were the  
19                  monitoring, and if they saw something they would  
20                  then contact the appropriate IPOC office. Later  
21                  on if there was an agreement in place and a  
22                  mechanism that if an investigation was at a  
23                  certain stage, I as the OIC could write a letter  
24                  to FINTRAC saying we are investigating these  
25                  individuals, these locations, please give us

1 more realtime information. Because they have  
2 analysts and data processors and all that kind  
3 of stuff and so we could more realtime monitor  
4 what was going on. So long answer, yes, we had  
5 discussions with FINTRAC and they were very  
6 helpful.

7 Q So if you requested specific files that you  
8 needed more timely information, you found that  
9 FINTRAC was generally responsive to those  
10 requests?

11 A Absolutely.

12 MR. RAUCH-DAVIS: Thank you. Those are my questions.

13 THE COMMISSIONER: Thank you, Mr. Rauch-Davis. I'll  
14 now turn to Mr. Butcher on behalf of Brad  
15 Desmarais who has been allocated ten minutes.

16 MR. BUTCHER: Thank you.

17 **EXAMINATION BY MR. BUTCHER:**

18 Q Mr. Baxter, you have told us about this  
19 April 2013 presentation by BCLC to FSOC and were  
20 shown a copy of the slides presented. Remember?

21 A Yes.

22 Q Do you remember who set that meeting up? Was  
23 that you asking to ensure that BCLC inform the  
24 people who were now in charge of those kind of  
25 operations, or was it an effort by BCLC?

1           A     It was an effort by BCLC and my recollection  
2                    either I got a phone call from Mr. Desmarais or  
3                    I got a phone message saying he wanted me to  
4                    contact him. In that call my recollection is he  
5                    asked me to set up a meeting with the new  
6                    decision-makers who would decide whether or not  
7                    files were undertaken by the new look federal  
8                    serious and organized crime.

9           Q     And you understand that was an effort by him to  
10                   engage them in criminal investigations?

11          A     Well, I wouldn't say to engage them in criminal  
12                   investigations. The purpose of the meeting was  
13                   for him to give an overview of what BCLC was  
14                   doing. Not to say here is a specific case we  
15                   want you to investigate this. So --

16          Q     No, I understand that it wasn't specific case  
17                   directed. But it was to ensure that the people  
18                   now responsible were aware of what BCLC was  
19                   doing and thinking?

20          A     It was an overview of the current status of  
21                   BCLC.

22          Q     Did you have much contact with BCLC staff after  
23                   you assumed your new position in January 2013?

24          A     I didn't meet with anybody from BCLC until after  
25                   the January 4th, 2011 CBC interview.

1           Q     Sorry, I'm not sure I've understood your  
2                    answer to that question. Did you meet anybody  
3                    from BCLC after you took your new job in  
4                    January 2013 other than the one meeting with  
5                    Mr. Desmarais?

6           A     No, I did not. Sorry. I was referring back to  
7                    2010 when you said my new job. 2013, no, I was  
8                    again on the administrative side in the ops  
9                    support group. I had no role in operations. I  
10                  had no role in determining what files would be  
11                  investigated. I was administration. Not  
12                  operations.

13          Q     Did you -- you were asked earlier today whether  
14                    you were aware that it was an approach by  
15                    Mr. Desmarais to Superintendent Chrustie that  
16                    started the E-Pirate investigation. Were you  
17                    aware of that until you were told that today?

18          A     No. I retired in 2014 -- sorry, 2015, my last  
19                    work day was in November of 2014 and so anything  
20                    that went on between Inspector Chrustie --  
21                    Superintendent Chrustie and Brad Desmarais, no  
22                    knowledge.

23          Q     How about any referrals by BCLC staff, including  
24                    Mr. Desmarais to BC CFSEU in 2014. Were you aware  
25                    of those?

1           A     No, again 2013 onward I'm administrative,  
2                    nothing operational.  No -- it's outside my  
3                    lane.

4           Q     I'm afraid I'm going to go back to the 2012  
5                    intelligence probe and the investigation that  
6                    took place before that.  I'm a little confused.  
7                    Was there actually an IPOC investigation before  
8                    January 2012 into money laundering in casinos?

9           A     In 2010 about July or August somewhere in there  
10                   when I assumed my new role as the OIC, I did the  
11                   file review, parts of it was what I was seeing  
12                   with the STRs and FINTRAC reports, et cetera.  
13                   At that point I sat down with my ops officer and  
14                   the team leader for the money laundering team  
15                   and directed that they start looking into the  
16                   potential for money laundering in the casinos.

17          Q     How much resources in terms of personnel, time  
18                   or money was devoted to that investigation until  
19                   January 2012?

20          A     The C22 team, the money laundering team was five  
21                   regular members and one administrative support.

22          Q     But presumably you had many other investigations  
23                   ongoing at the same time?

24          A     Yes.  The IPOC unit, those 41 personnel that I  
25                   referred to early on in my testimony, were fully

1 engaged. We were stretched to the limit. And  
2 again big difference between established and  
3 actual, so maybe out of that at any given time I  
4 had 30 people, so ...

5 Q So are you able to provide us with any estimate  
6 of the financial cost of the investigation or  
7 maybe you should say financial investment of the  
8 investigation before January of 2012?

9 A No, that type of information is not tracked in  
10 the way I think you're looking for it. You  
11 know, you've got -- these are full-time  
12 employees. This is their job, so I can't say  
13 that we spent \$5,000 on salary for constable  
14 so-and-so. It's not tracked that way.

15 Q The reason I'm asking that is that the probe  
16 that has been produced as exhibit 760 sought a  
17 budget of \$62,000. And that seems like a small  
18 amount of money to me. Can you tell us how much  
19 a typical major money laundering investigation  
20 might cost?

21 A It might cost hundreds of thousands of dollars.

22 Q Or millions of dollars perhaps?

23 A Potentially if it's a long, long drawn-out  
24 investigation that involves wiretap and  
25 international travel and significant overtime

1                   and that type of thing. I mean, that's why  
2                   there's a proposed budget in that ops plan, but  
3                   again that would have been potentially for  
4                   overtime for rental of vehicles that didn't look  
5                   like police vehicles. All those sorts of  
6                   extraordinary costs is what that budget is  
7                   looking at and also, you know, support from  
8                   other entities.

9           Q       And others have asked this, but whatever work it  
10                   was that was undertaken before that intelligence  
11                   probe was proposed, your group was not able to  
12                   prove that a single dollar was the proceeds of  
13                   any predicate offence committed by Asian  
14                   organized crime or any other organized crime  
15                   group, were you?

16           A       Never able to prove that beyond a reasonable  
17                   doubt.

18           Q       And others have asked about why you didn't refer  
19                   it to civil forfeiture if you thought that there  
20                   was an ability to prove it beyond on the civil  
21                   standard. Were you actually able to prove it on  
22                   a civil standard?

23           A       Well, when you say "prove it," we did not make  
24                   any cash seizures from patrons about to enter a  
25                   casino. We certainly didn't go into a casino



1           suggesting is it's a possibility that the Asian  
2           organized crime groups were in contact with the  
3           outlaw motorcycle gangs and/or traditional  
4           organized crime. We can do something with the  
5           cash that you've generated; we'll be the  
6           repository and we were high-end gamblers that we  
7           will give that money to and they'll go into the  
8           casinos and back and forth. So I'm not  
9           suggesting for a second that singularly Asian  
10          organized crime is responsible for all of it.  
11          Our collective opinion was given the Asian's  
12          backgrounds of these high-end gamblers  
13          representing a vast, vast majority of those  
14          buy-ins at the casinos were Asian. They would  
15          be more comfortable dealing with an Asian crime  
16          group than an outlaw motorcycle gang, for  
17          example, to pick up \$400,000 in bags. Again,  
18          that's supposition.

19          Q       Yes, I was going to say that. That's a  
20                    hypothesis you've developed without any evidence  
21                    whatsoever?

22          A       Sure.

23          MR. BUTCHER: Thank you. Those are my questions.

24          THE COMMISSIONER: Thank you, Mr. Butcher. Anything  
25                    arising from that, Mr. Rauch-Davis?

1 MR. RAUCH-DAVIS: No, thank you, Mr. Commissioner.

2 THE COMMISSIONER: Ms. Tweedie?

3 MS. TWEEDIE: Nothing arising. Thank you.

4 THE COMMISSIONER: Mr. McFee?

5 MR. McFEE: Nothing arising, Mr. Commissioner. But I  
6 realize I probably should have marked if it  
7 hasn't already been marked already the PowerPoint  
8 presentation I referred Mr. Baxter to.

9 THE COMMISSIONER: I can't remember if that was  
10 marked or not, Madam Registrar.

11 THE REGISTRAR: No, it hasn't been marked yet,  
12 Mr. Commissioner.

13 THE COMMISSIONER: We will mark that then as the next  
14 exhibit.

15 THE REGISTRAR: 824.

16 **EXHIBIT 824: Presentation - Reducing Reliance**  
17 **on Cash in BC Casinos & More - April 18, 2013**

18 THE COMMISSIONER: Ms. Bevan?

19 MS. BEVAN: No, thank you, Mr. Commissioner.

20 THE COMMISSIONER: Mr. Skwarok.

21 MR. SKWAROK: No sir, thank you.

22 THE COMMISSIONER: Mr. Smart?

23 MR. SMART: Nothing. Thank you.

24 THE COMMISSIONER: Ms. Friesen?

25 MS. FRIESEN: Yes, thank you, Mr. Commissioner, I do

1                   have a few questions arising.

2                   THE COMMISSIONER: Very well.

3                   **EXAMINATION BY MS. FRIESEN (continuing):**

4                   Q     Mr. Baxter, I just have a few questions for you  
5                   regarding that PowerPoint presentation that you  
6                   provided evidence on which is now exhibit 824,  
7                   and it might be helpful just to call that  
8                   document up on the screen if we could. Thank  
9                   you. Mr. Baxter, you provided evidence  
10                  regarding this presentation, and as I understand  
11                  your evidence you attended a meeting that was  
12                  also attended by Superintendent Bergerman among  
13                  others?

14                  A     Yes.

15                  Q     And so this is the PowerPoint presentation that  
16                  was presented to you at that meeting by BCLC?

17                  A     I believe it is.

18                  Q     Okay. And the title there as you see it it's  
19                  called "Reducing Reliance on Cash in BC Casinos  
20                  & More..." Did I read that correctly?

21                  A     Yes.

22                  Q     And the date on the front there is April 18th,  
23                  2013. Is that right?

24                  A     That's the date on there, yes.

25                  Q     And at that time, then, am I right to say that

1                   at that time of April 18, 2013, a decision had  
2                   not yet been made with respect to whether the  
3                   money laundering investigation into BC casinos  
4                   that you initiated in 2010, a decision had not  
5                   yet been made to continue that investigation  
6                   through FSOC?

7                   A     I don't know that because I was not part of the  
8                   operational review committee. I was the ops  
9                   support group which was administrative. So  
10                  whether or not that ongoing was still on the  
11                  table, frankly, I don't know. I don't know  
12                  whether a meeting had been held on it, a review  
13                  of it or any decision made on it whatsoever.

14                 MS. FRIESEN: Thank you. Those are my questions.

15                 THE COMMISSIONER: Thank you, Ms. Friesen. Anything  
16                  arising for you, Mr. Isaac?

17                 MR. ISAAC: No, Mr. Commissioner. Thank you.

18                 THE COMMISSIONER: Thank you. Thank you, Mr. Baxter.  
19                  I'm appreciative of the time you've taken to  
20                  help us understand through your experience and  
21                  insights what was afoot with IPOC in the period  
22                  between 2010 and 2013. That has been helpful.  
23                  Thank you. You are excused from further  
24                  evidence now. And we will adjourn to 9:30  
25                  tomorrow morning, Mr. Isaac.

1 THE WITNESS: Thank you, Mr. Commissioner.

2 MR. ISAAC: Thank you.

3 THE REGISTRAR: The hearing is now adjourned until  
4 April 9th, 2021, at 9:30 a.m. Thank you.

5 **(WITNESS EXCUSED)**

6 **(PROCEEDINGS ADJOURNED AT 2:09 P.M. TO APRIL 9, 2021)**

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